

# Doing Business 2011

South Asia (SA)

**Making  
a Difference for  
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Interactive map on the ease of doing business

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*Doing Business 2011: Making a difference for entrepreneurs* is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010\*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The *Doing Business* methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by *Doing Business*. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies as benchmarks.

The following pages present the summary *Doing Business* indicators for South Asia (SA) . The data used for this economy profile come from the *Doing Business* database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

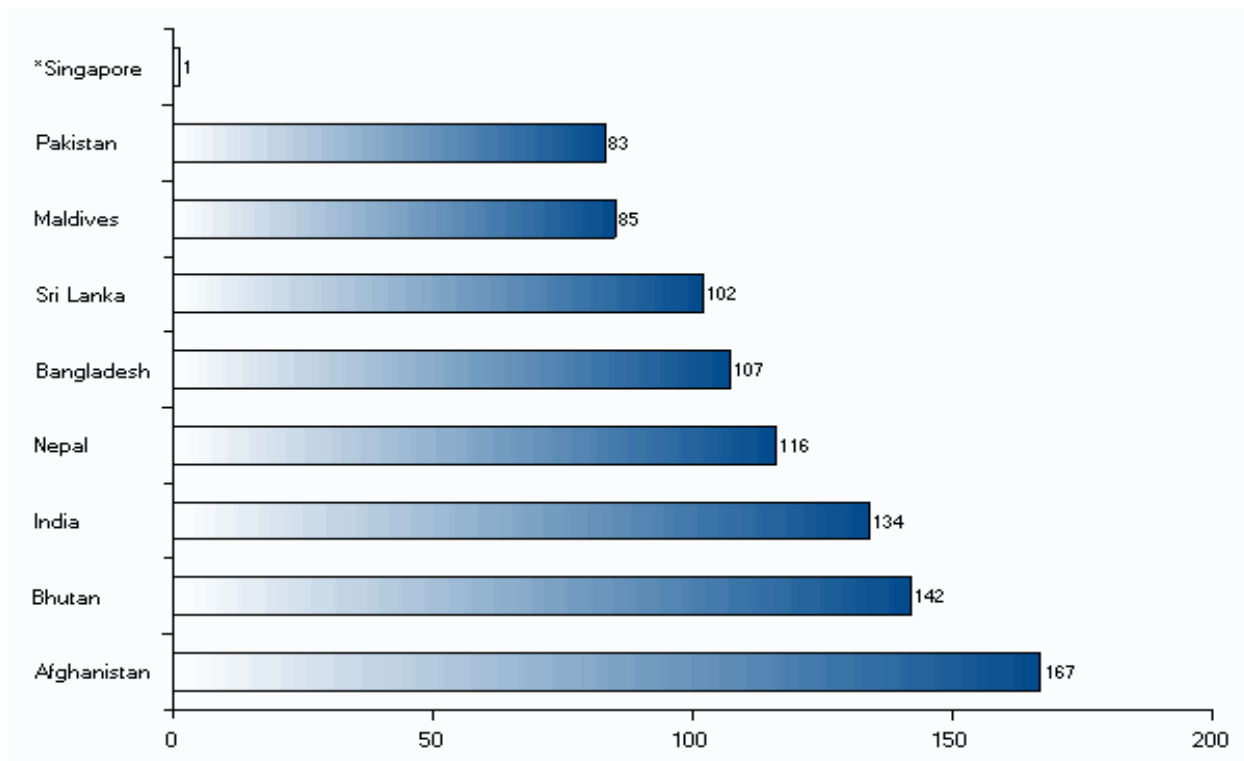
The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a difference for entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the *Doing Business* website ([www.doingbusiness.org](http://www.doingbusiness.org)).

\* Except for the Paying Taxes indicator, which covers the period January to December of 2009.

*Note: Doing Business 2010 data and rankings have been recalculated to reflect changes to the methodology.*

## South Asia (SA) - Aggregate rankings



Economies are ranked on their ease of doing business, from 1 - 183, with first place being the highest. The ease of doing business index averages the economy's percentile rankings on 9 topics, made up of a variety of indicators, giving equal weight to each topic. The rankings are from the *Doing Business 2011: Making a Difference for Entrepreneurs* report, covering the period June 2009 to June 2010.

\* Singapore is shown as a benchmark.

Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

#### Some reform outcomes

*In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.*

*In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.*

*In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.*

#### What does Starting a Business measure?

##### Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

##### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

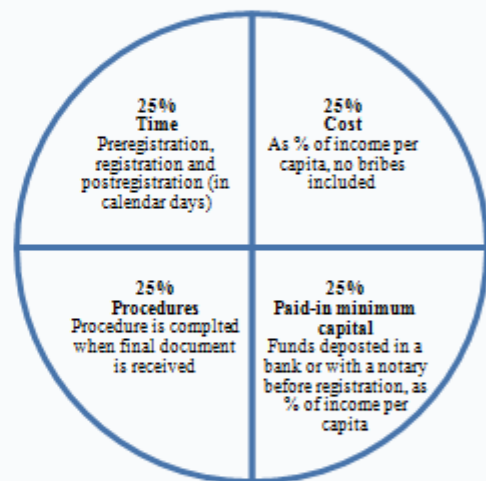
##### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

##### Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

**Starting a Business:** getting a local limited liability company up and running  
*Rankings are based on 4 subindicators*



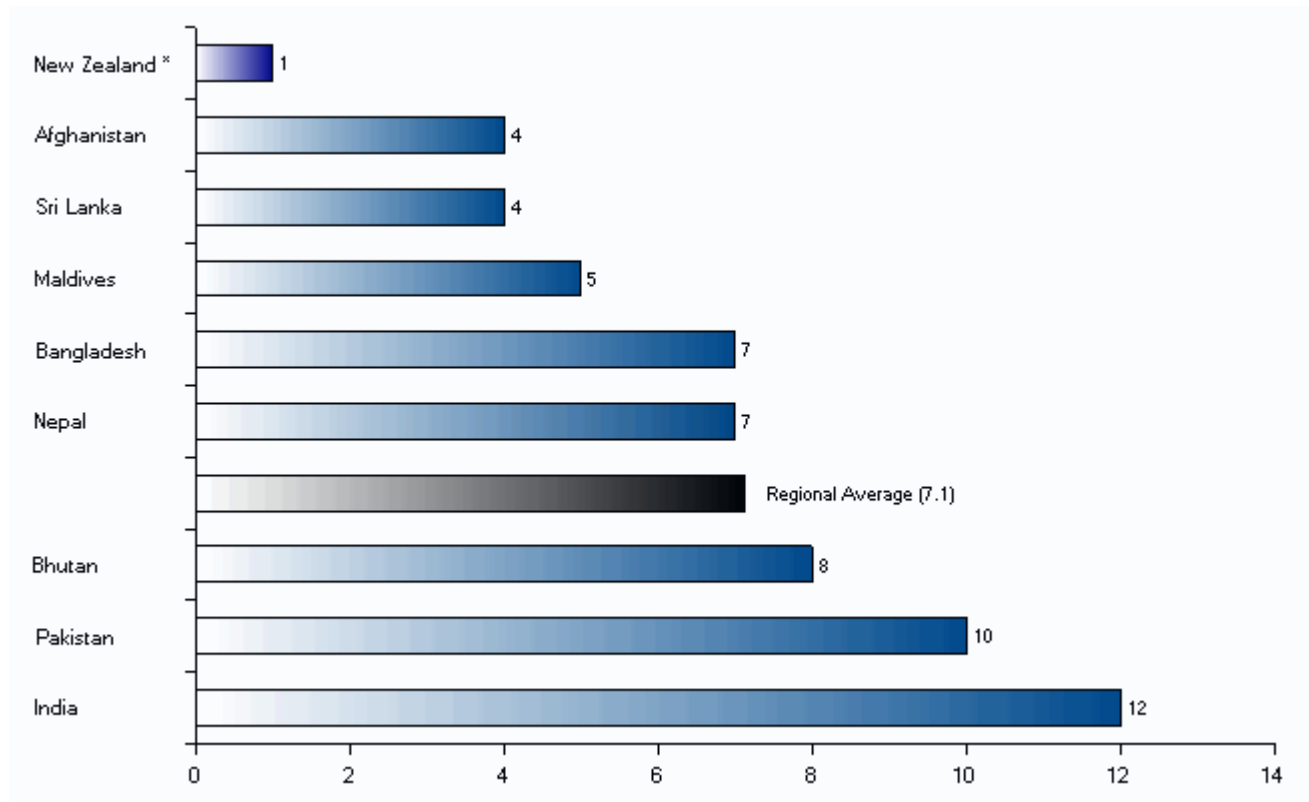
#### Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

#### The business:

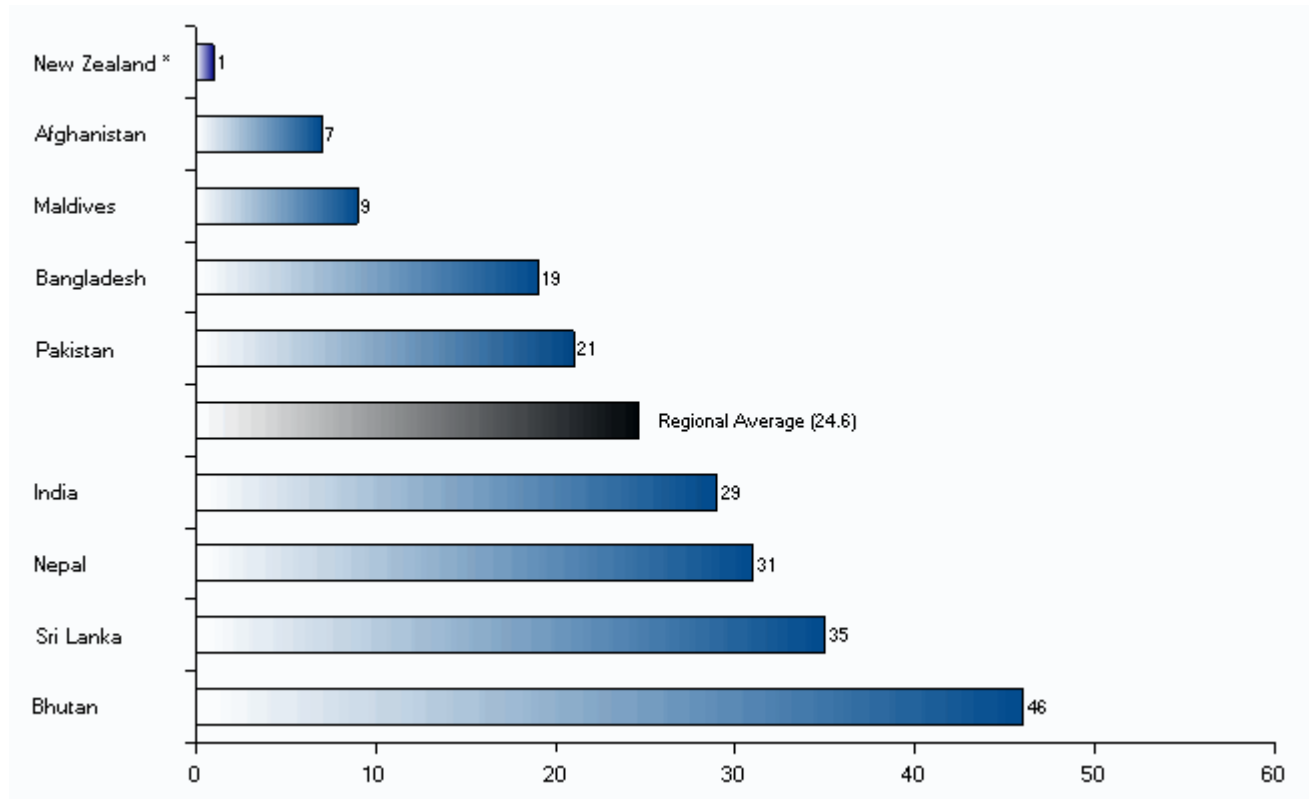
- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

## Procedures to start a business



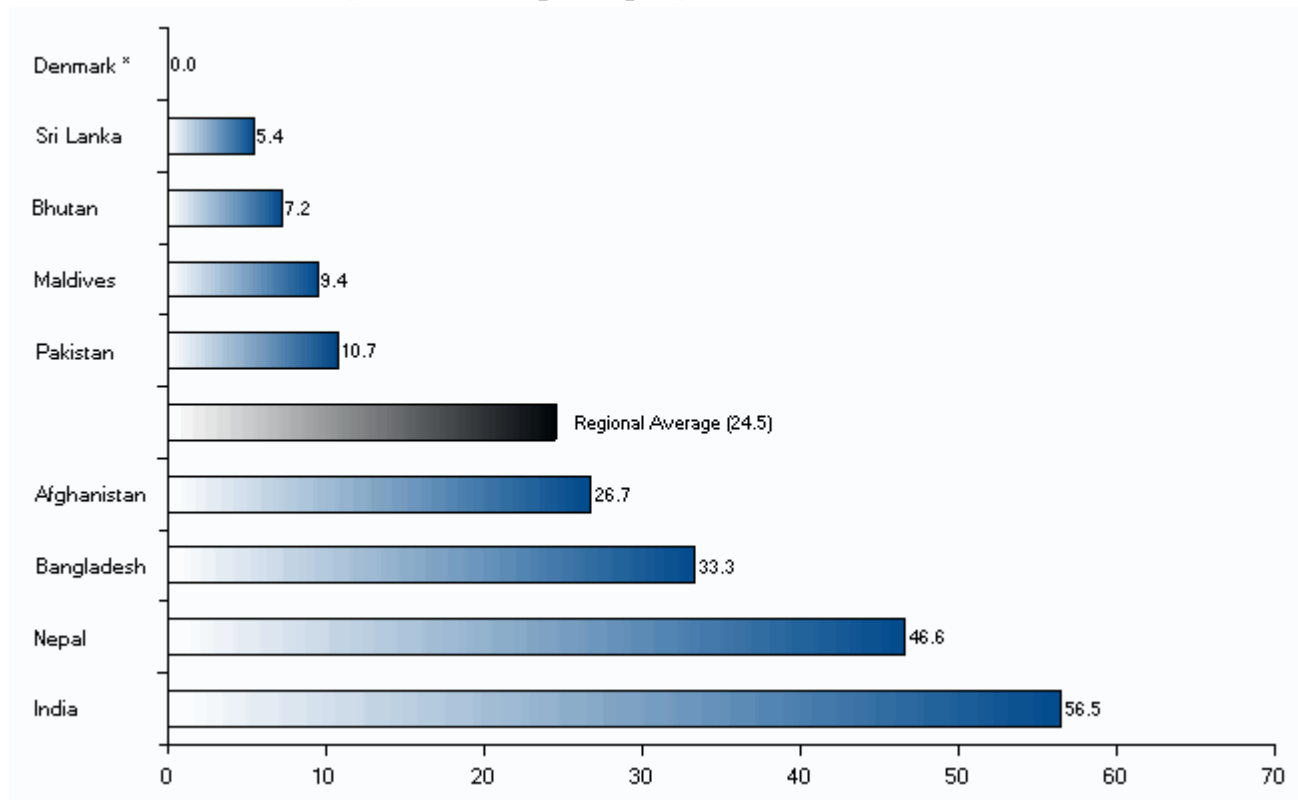
This graph compares the number of procedures required before an entrepreneur can operate a business. \* An economy with the fewest procedures is included as a benchmark.

## Time to start a business (days)



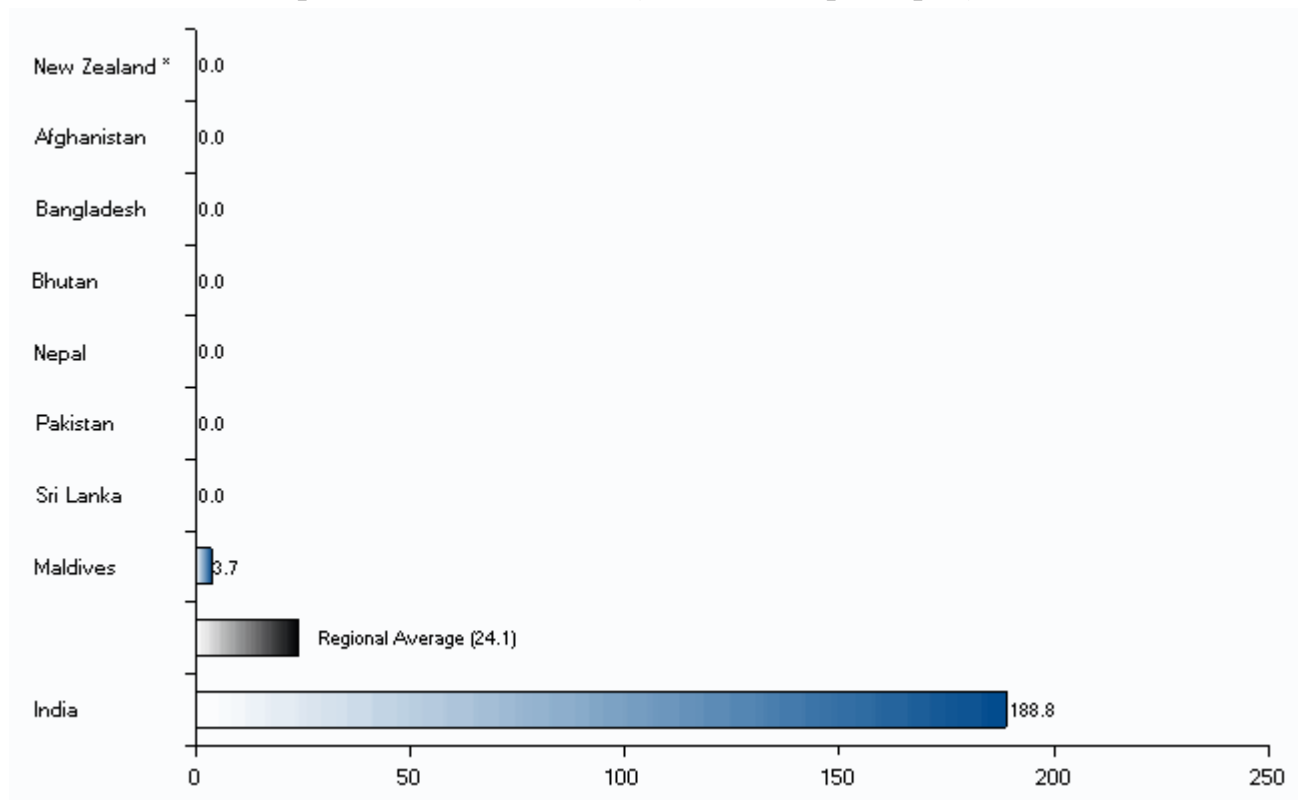
This graph compares the number of days required before an entrepreneur can operate a business. \* The economy requiring the least time is included as a benchmark.

### Cost to start a business (% of income per capita)



This graph compares the costs to start a business. \* An economy with the lowest cost is included as a benchmark.

### Paid in Minimum capital to start a business (% of income per capita)

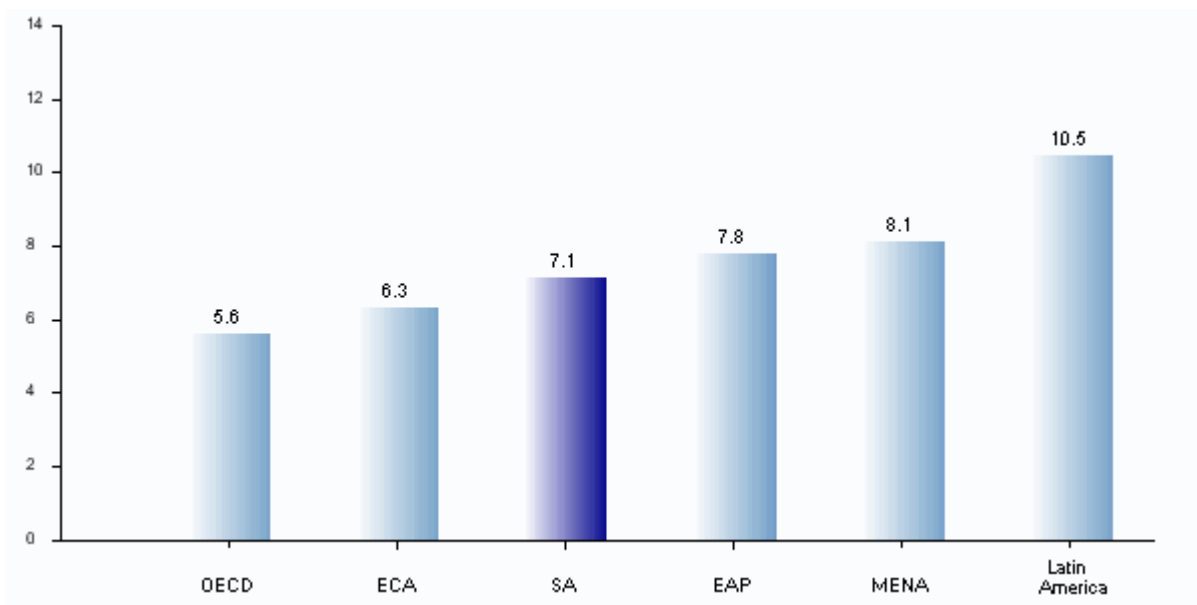


This graph compares the minimum capital an entrepreneur has to deposit before starting a business. \* An economy with the lowest cost is included as a benchmark. 80 economies do not have minimum capital requirements. They are listed on the Doing Business website.

## Starting a Business Across Regions

<u>Region</u>	<u>Procedures (number)</u>	<u>Time (days)</u>	<u>Cost (% of income per capita)</u>	<u>Paid in Minimum Capital (% of income)</u>
South Asia (SA)	7.1	24.6	24.5	24.1
East Asia & Pacific (EAP)	7.8	39.0	27.1	50.6
Eastern Europe & Central Asia (ECA)	6.3	16.3	8.5	12.3
Latin America	10.5	43.6	35.9	3.8
Middle East & North Africa (MENA)	8.1	20.0	38.0	104.0
Organization for Economic Co-Operation and Development (OECD)	5.6	13.8	5.3	15.3

### Average Number of Procedures to Start a Business (number)



In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

## Some reform outcomes

*In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.*

*Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.*

## What does the Dealing with Construction Permits indicator measure?

### Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

## Case Study Assumptions

### The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

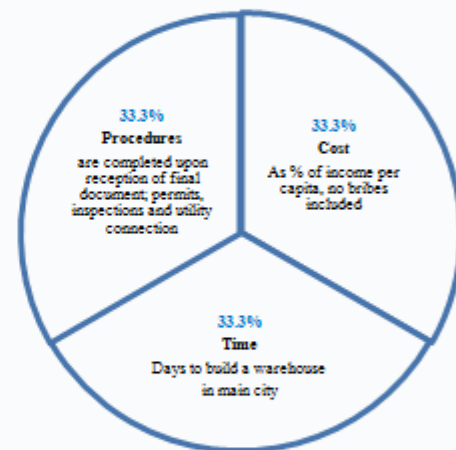
### The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

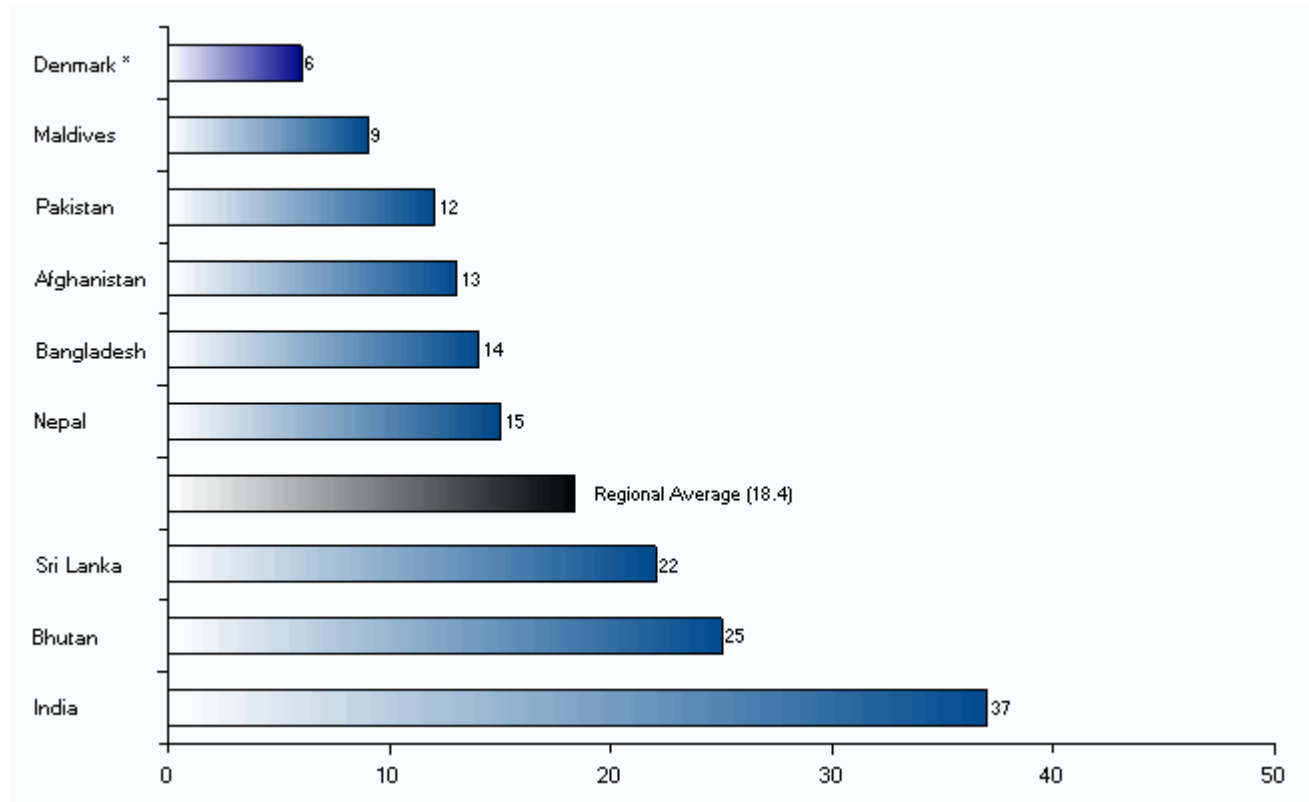
## Dealing with Construction Permits:

Building a warehouse

Rankings are based on 3 subindicators

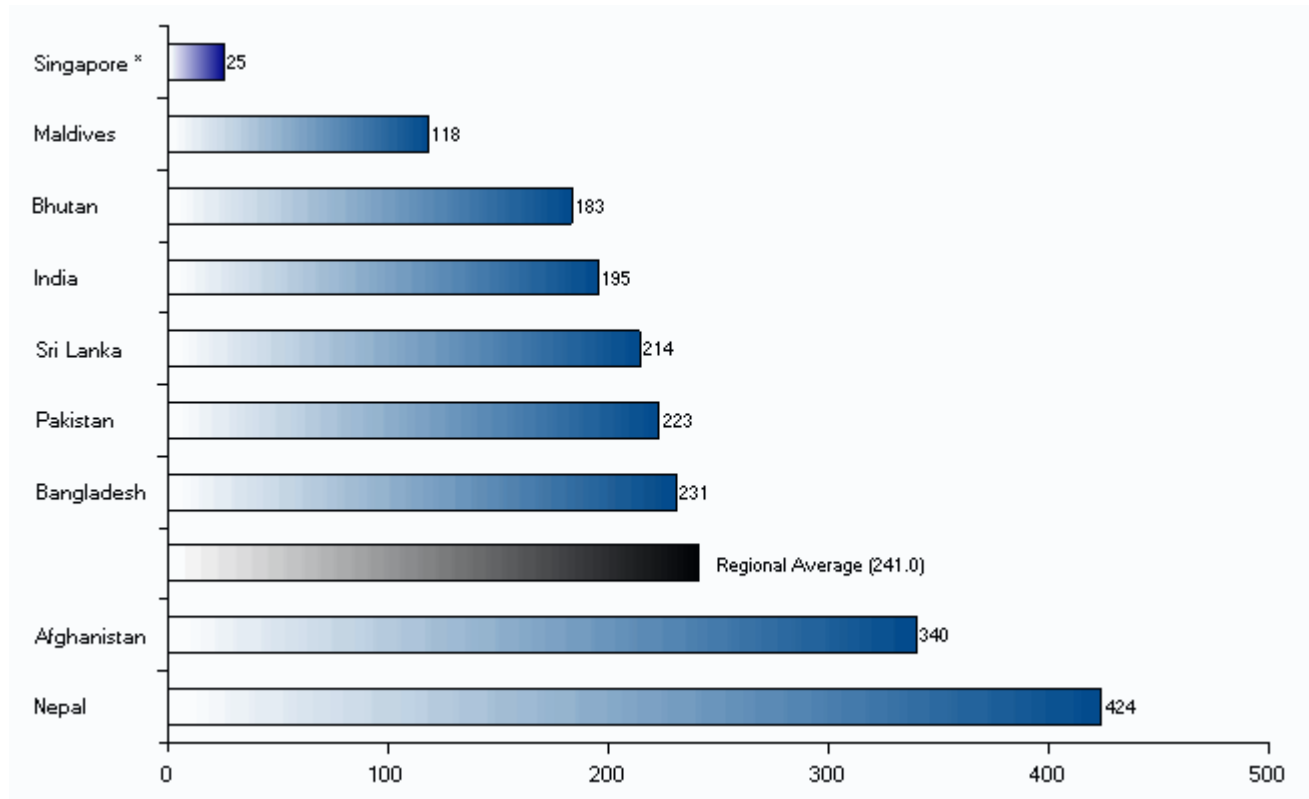


## Procedures to deal with construction permits



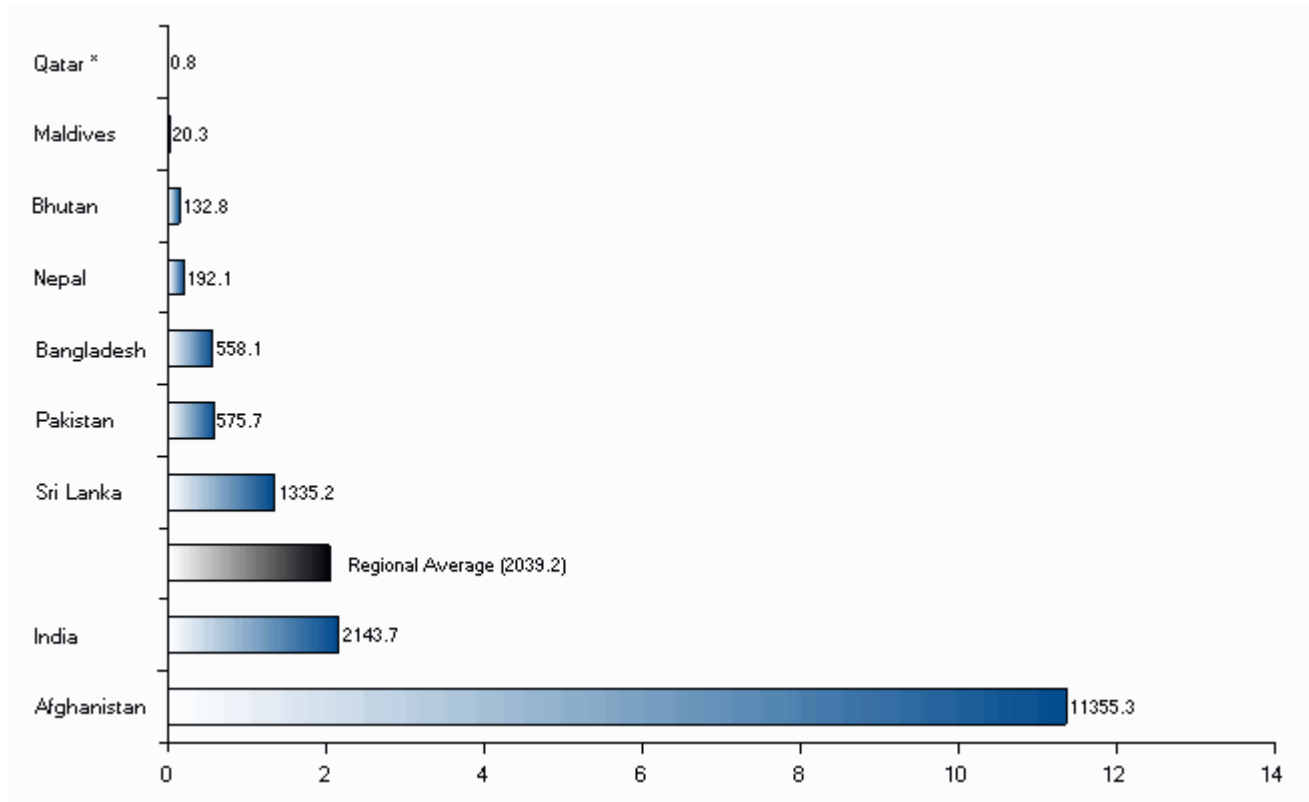
This graph compares the number of procedures required for an entrepreneur to deal with construction permits. \* The economy with the fewest procedures is included as a benchmark.

## Time to deal with construction permits (days)



This graph compares the number of days required for an entrepreneur to deal with construction permits. \* The economy requiring the least time is included as a benchmark.

## Cost to deal with construction permits (% of income per capita)

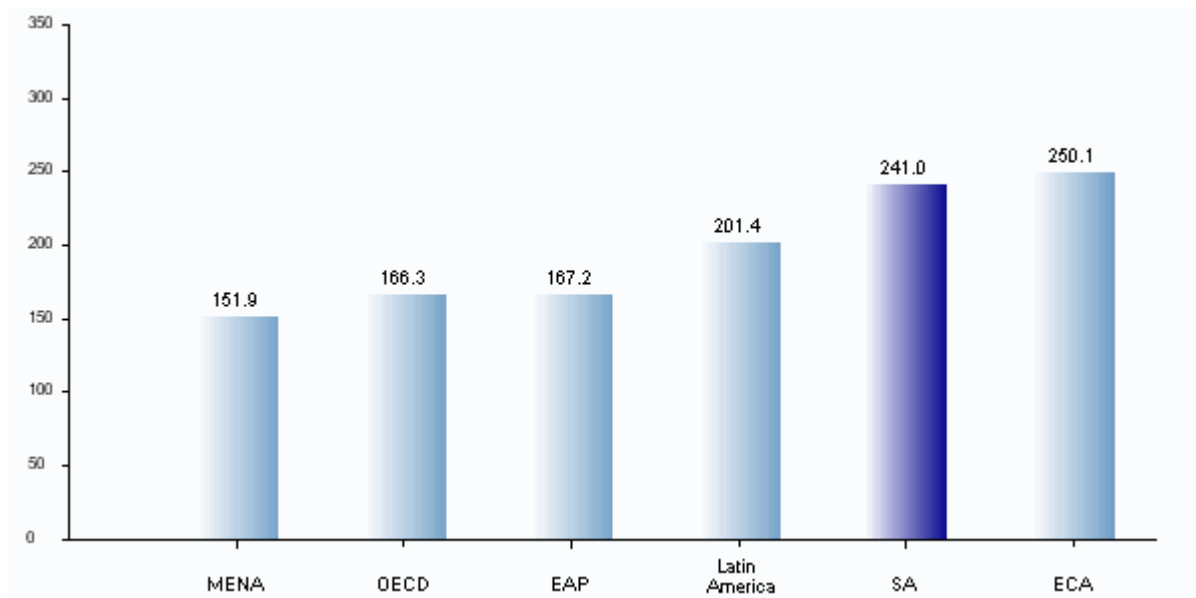


This graph compares the costs to deal with construction permits. \* The economy with the lowest cost is included as a benchmark.

## Dealing with Construction Permits Across Regions

<u>Region</u>	<u>Procedures (number)</u>	<u>Time (days)</u>	<u>Cost (% of income per capita)</u>
South Asia (SA)	18.0	241.0	2,039.2
East Asia & Pacific (EAP)	19.0	167.2	168.7
Eastern Europe & Central Asia (ECA)	22.0	250.1	645.5
Latin America	19.0	201.4	243.4
Middle East & North Africa (MENA)	19.0	151.9	409.7
Organization for Economic Co-Operation and Development (OECD)	16.0	166.3	62.1

### Average Time to Deal with Construction Permits (days)



Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

### Some reform outcomes

*Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.*

*Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.*

### What does the Registering Property indicator measure?

#### Procedures to legally transfer title on immovable property (number)

- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

#### Time required to complete each procedure (calendar days)

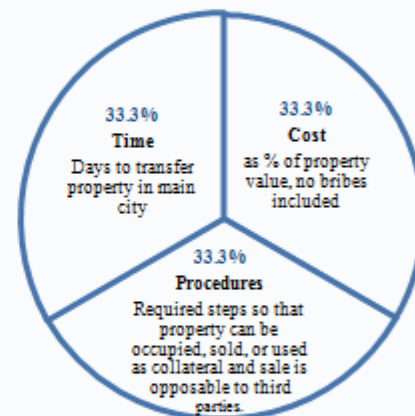
- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

#### Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included

**Registering Property:** transfer of property between 2 local companies

Rankings are based on 3 subindicators



### Case Study Assumptions

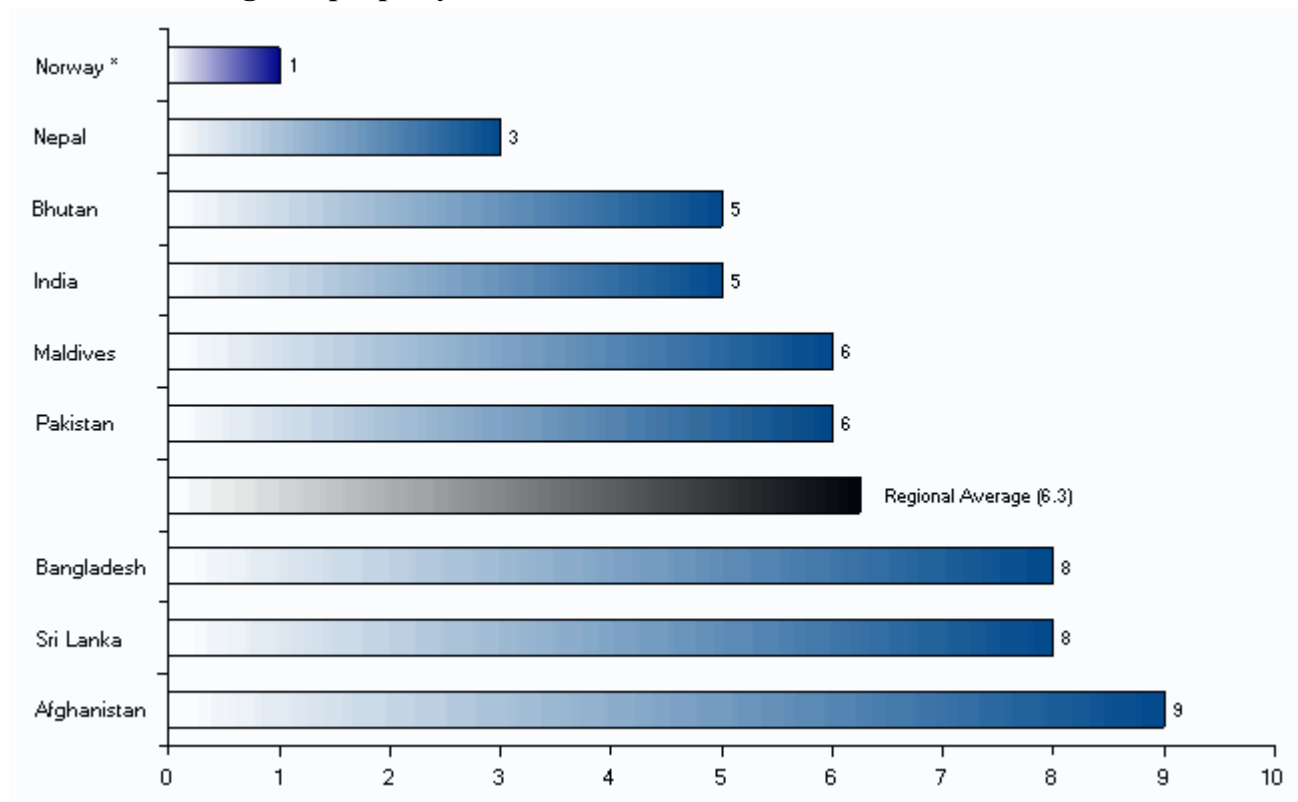
#### The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

#### The property (fully owned by the seller):

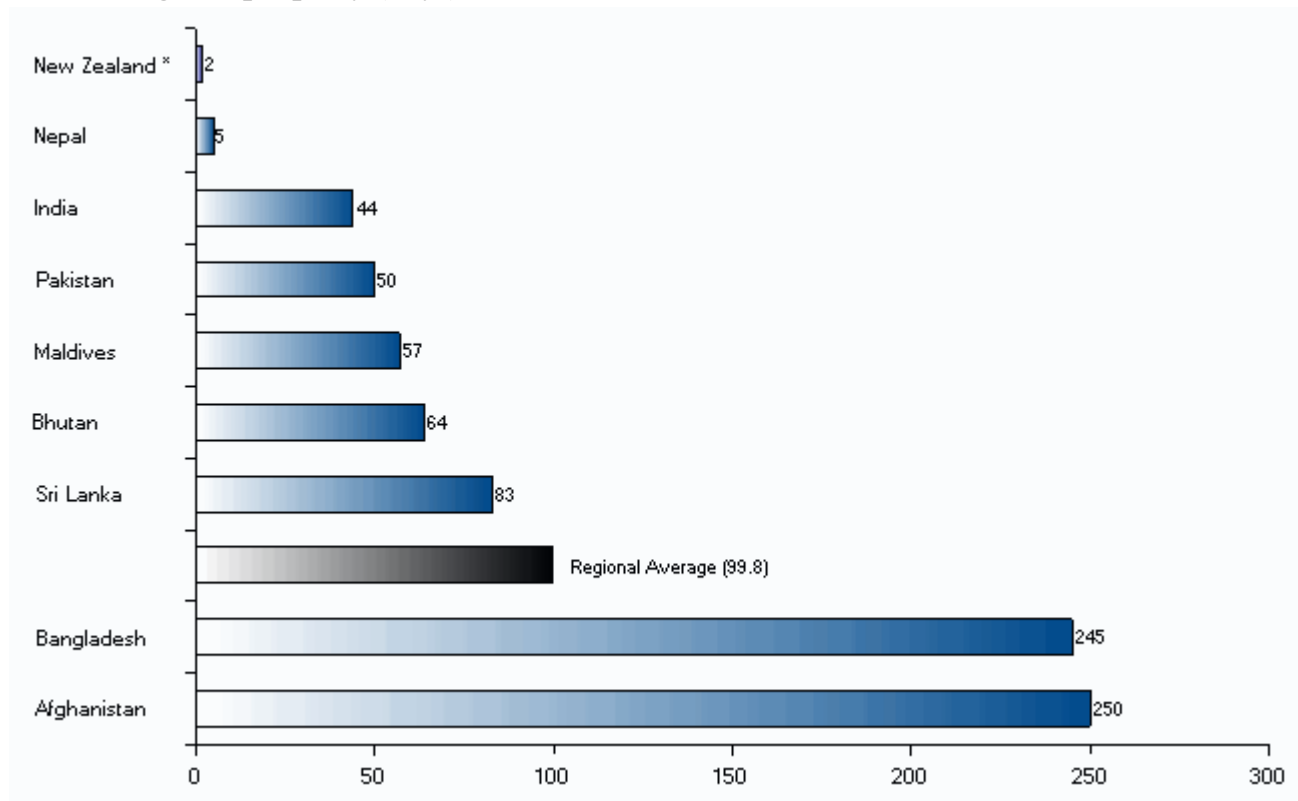
- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

## Procedures to register property



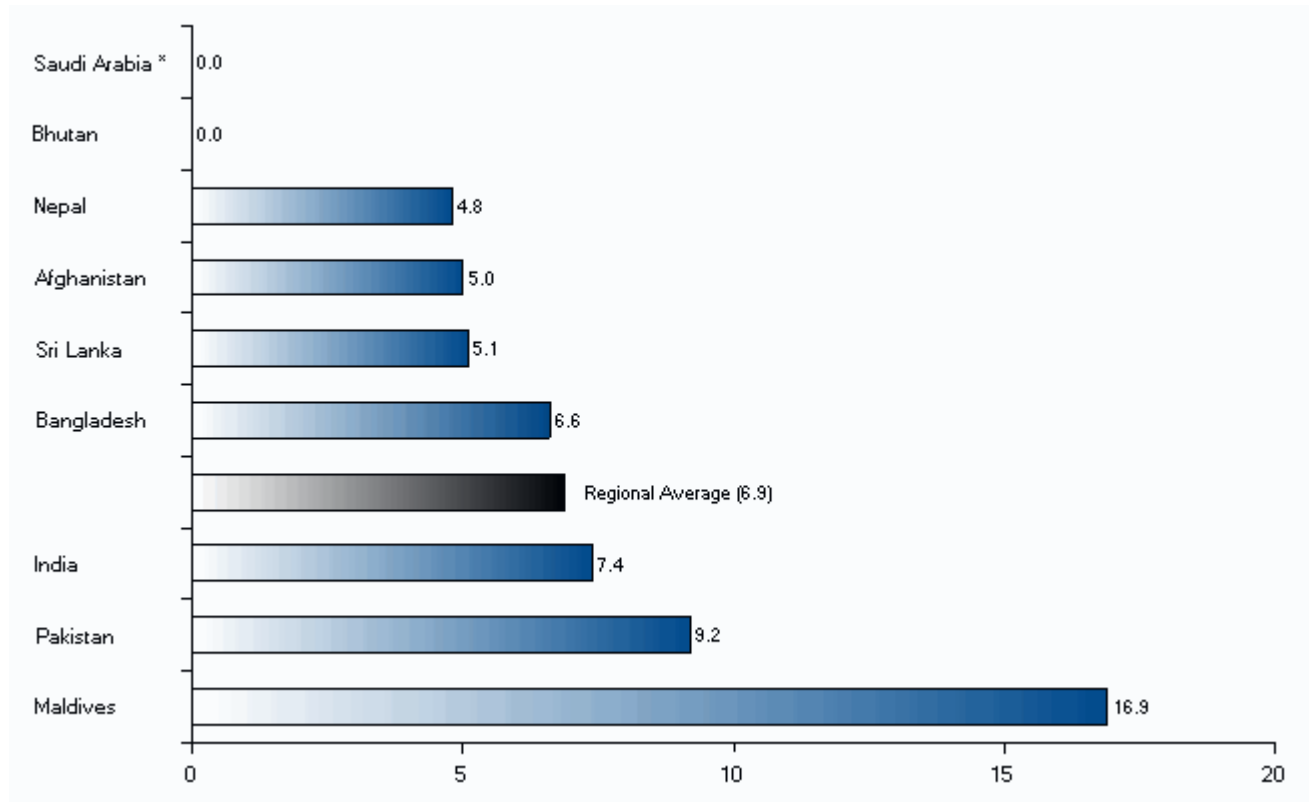
This graph compares the number of procedures required for an entrepreneur to register a property. \* An economy with the fewest procedures is included as a benchmark.

## Time to register property (days)



This graph compares the number of days required for an entrepreneur to register a property. \* An economy with the least time is included as a benchmark.

## Cost to register property (% of property values)

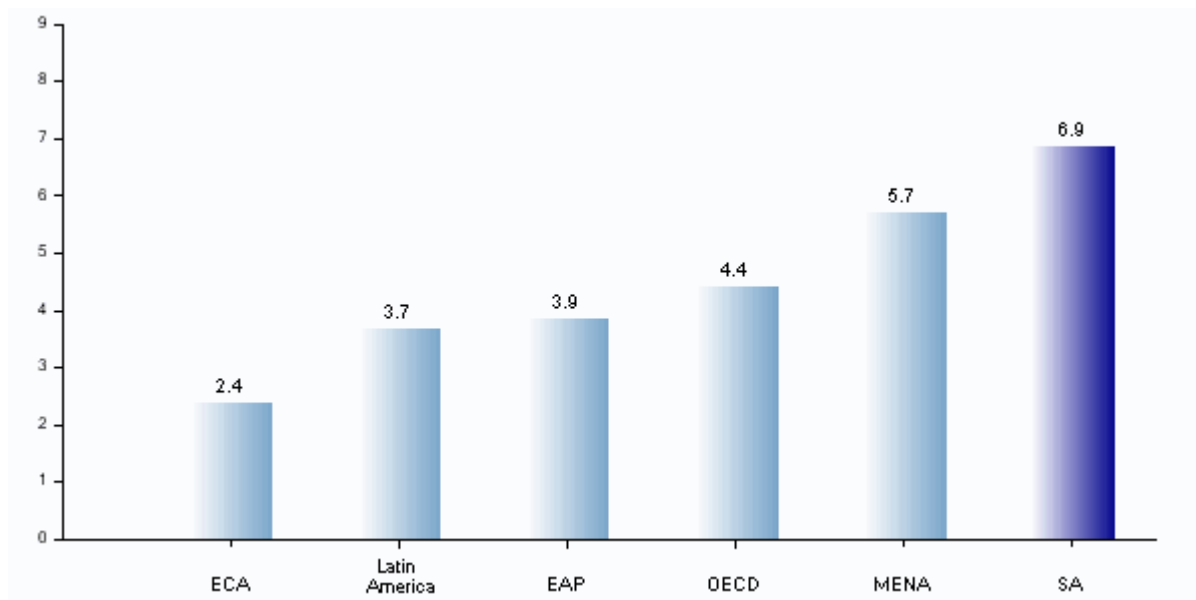


This graph compares the costs to register a property. \* The economy with the lowest cost is included as a benchmark.

## Registering Property Across Regions

<u>Region</u>	<u>Procedures (number)</u>	<u>Time (days)</u>	<u>Cost (% of property value)</u>
South Asia (SA)	6.3	99.8	6.9
East Asia & Pacific (EAP)	4.7	82.6	3.9
Eastern Europe & Central Asia (ECA)	5.6	38.3	2.4
Latin America	6.9	43.9	3.7
Middle East & North Africa (MENA)	6.0	32.5	5.7
Organization for Economic Co-Operation and Development (OECD)	4.8	32.7	4.4

### Average Cost to Register a Property (% of property value)



Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the 'information asymmetry' in lending and enable lenders to view a borrower's financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor's rights has been associated with higher ratios of private sector credit to GDP.

### Some reform outcomes

*After Vietnam's new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).*

*In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.*

### What do the Getting Credit indicators measure?

#### Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors' rights through bankruptcy laws

#### Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

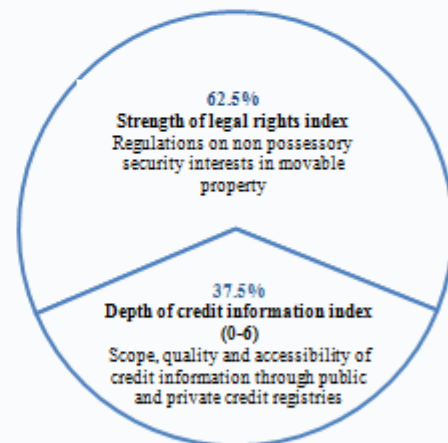
#### Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of adult population

#### Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of adult population

### Getting Credit: collateral rules and credit information



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

### Case Study Assumptions (applying to the Legal Rights Index only)

#### The Debtor

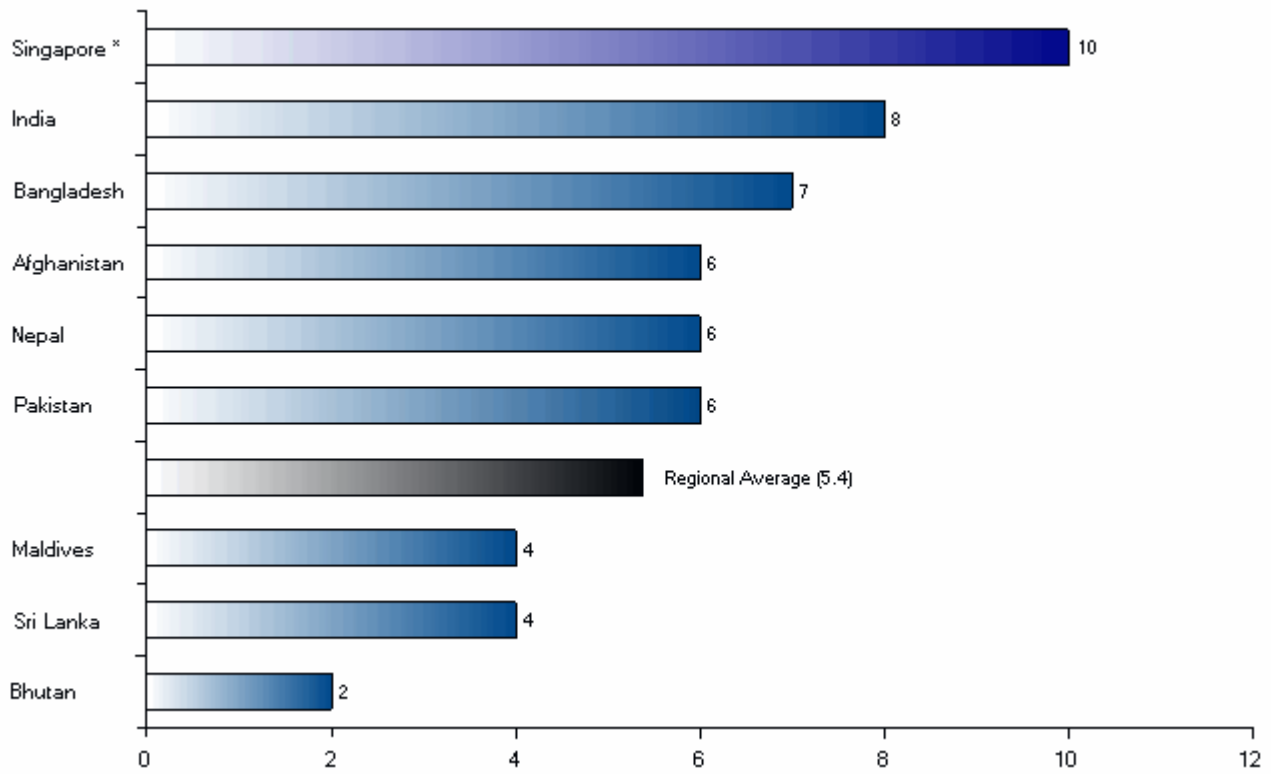
- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

## Credit Information

<b>Economy</b>	<b>Depth of credit information index (0-6)</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>
<b>* United Kingdom</b>	6	0.0	100.0
<b>* Portugal</b>	5	67.1	16.3
<b>* New Zealand</b>	5	0.0	100.0
<b>Sri Lanka</b>	5	0.0	18.6
<b>Pakistan</b>	4	5.8	1.4
<b>India</b>	4	0.0	10.0
<b>Bangladesh</b>	2	0.6	0.0
<b>Nepal</b>	2	0.0	0.3
<b>Afghanistan</b>	0	0.0	0.0
<b>Bhutan</b>	0	0.0	0.0
<b>Maldives</b>	0	0.0	0.0

\* The economies with the highest public and private bureau coverage, and with the highest credit information index are included as benchmarks.

## Strength of legal rights index (0-10)



This graph compares collateral and bankruptcy laws in the way they facilitate lending by protecting the rights of borrowers and lenders. \* An economy with the highest index is included as a benchmark.

## Getting Credit Across Regions

<u>Region</u>	<u>Depth of credit information index (0-6)</u>	<u>Strength of legal rights index (0-10)</u>
South Asia (SA)	2.1	5.4
East Asia & Pacific (EAP)	2.1	6.1
Eastern Europe & Central Asia (ECA)	4.0	6.6
Latin America	5.3	4.4
Middle East & North Africa (MENA)	3.3	3.0
Organization for Economic Co-Operation and Development (OECD)	4.7	6.9

### Average Depth of Credit Information Index (0-6)



Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

### Some reform outcomes

*In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).*

*After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.*

### What do the Protecting Investors indicators measure?

#### Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

#### Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

#### Ease of shareholder suits index (0–10)

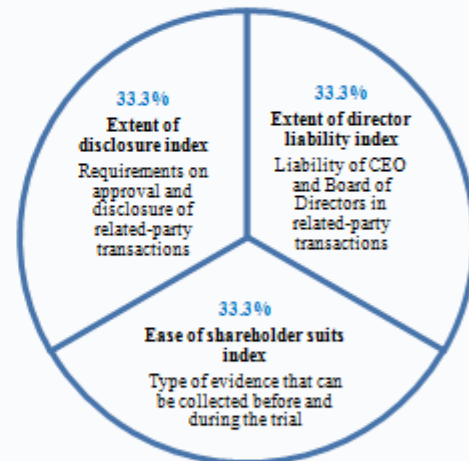
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

#### Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

**Protecting Investors:** minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



### Case Study Assumptions

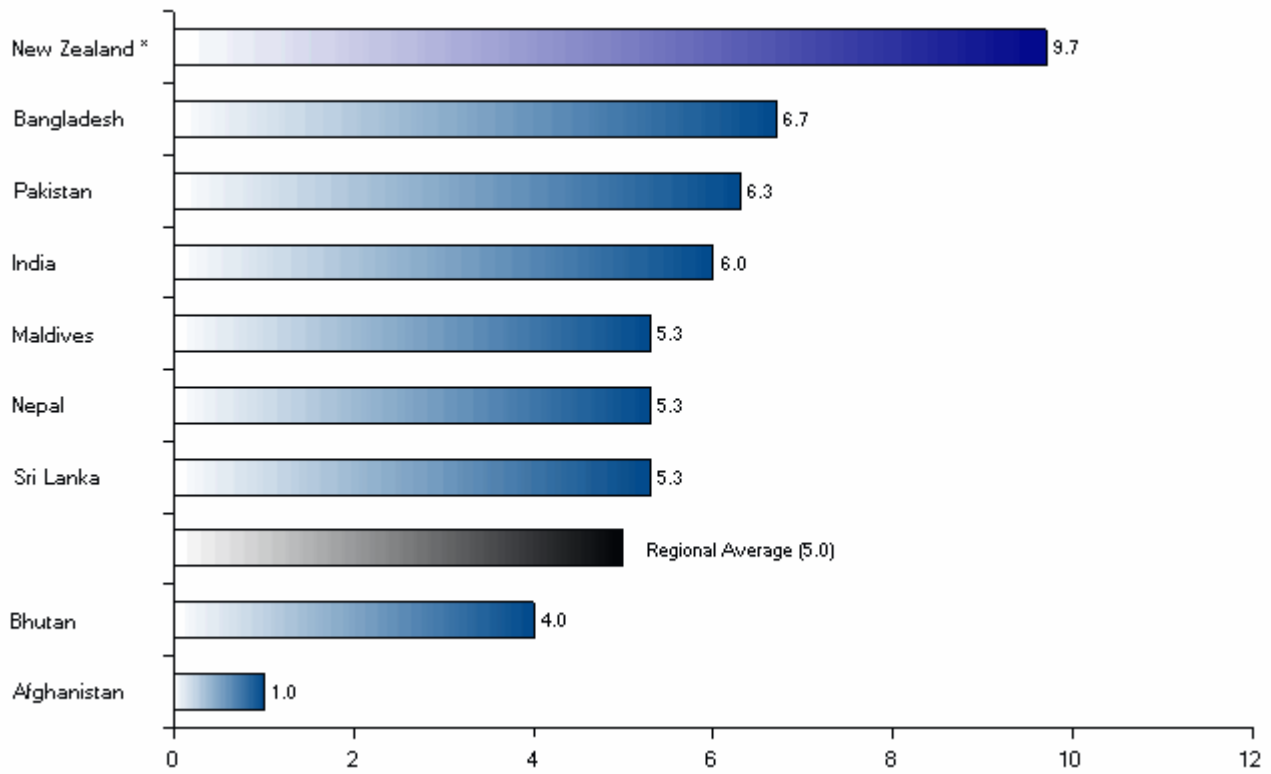
#### The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

#### The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

## Strength of investor protection index (0-10)

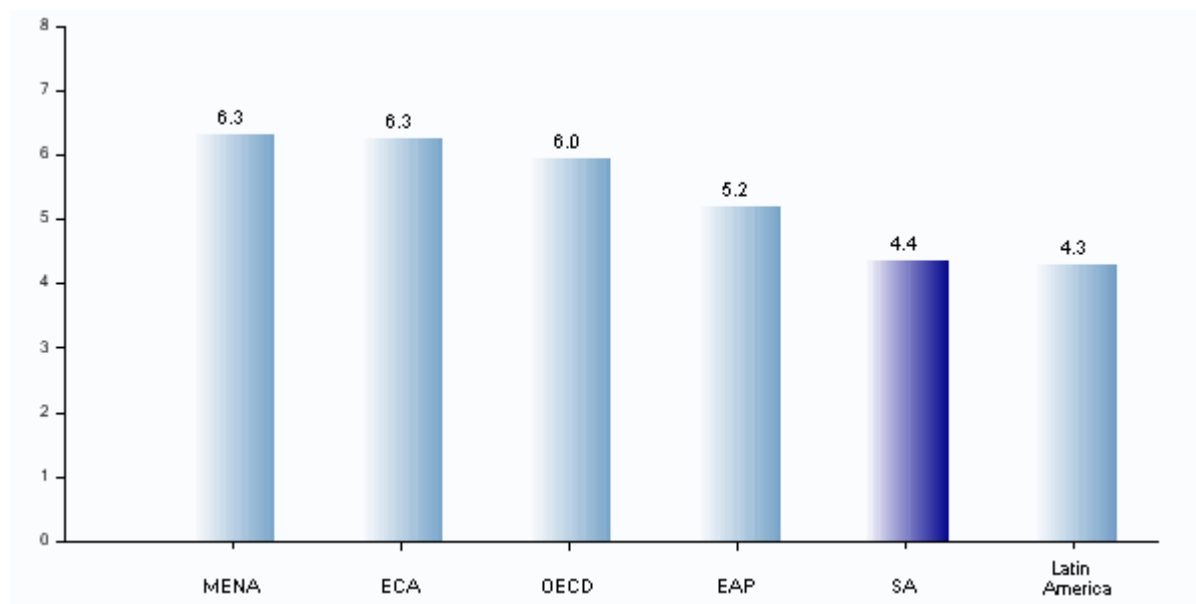


This graph compares the extent of disclosure, extent of director liability and ease of shareholder suits. \* The economy with the highest index is included as a benchmark.

## Protecting Investors Across Regions

<u>Region</u>	<u>Extent of disclosure index (0-10)</u>	<u>Extent of director liability index (0-10)</u>	<u>Ease of shareholder suits index (0-10)</u>	<u>Strength of investor protection index (0-10)</u>
<b>South Asia (SA)</b>	<b>4.4</b>	<b>4.4</b>	<b>6.3</b>	<b>5.0</b>
East Asia & Pacific (EAP)	5.2	4.5	6.3	5.3
Eastern Europe & Central Asia (ECA)	6.3	4.0	6.2	5.5
Latin America	4.3	4.6	5.6	4.8
Middle East & North Africa (MENA)	6.3	4.6	3.4	4.8
Organization for Economic Co-Operation and Development (OECD)	6.0	5.2	6.8	6.0

### Average Extent of Disclosure Index (0-10)



Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

#### Some reform outcomes

*Colombia* introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.

*Mauritius* reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

#### What do the Paying taxes indicators measure?

**Tax payments for a manufacturing company in 2009**  
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

**Time required to comply with 3 major taxes** (hours per year)

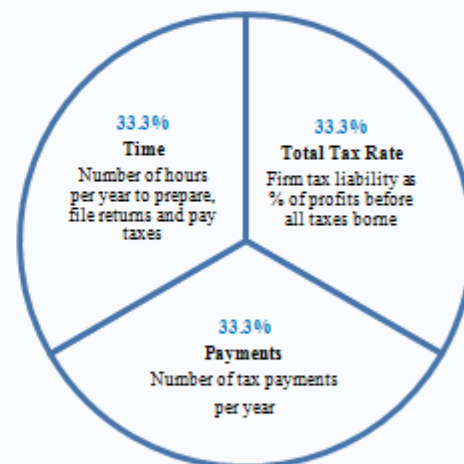
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

**Total tax rate (% of profit)**

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

**Paying Taxes:** tax compliance for a local manufacturing company

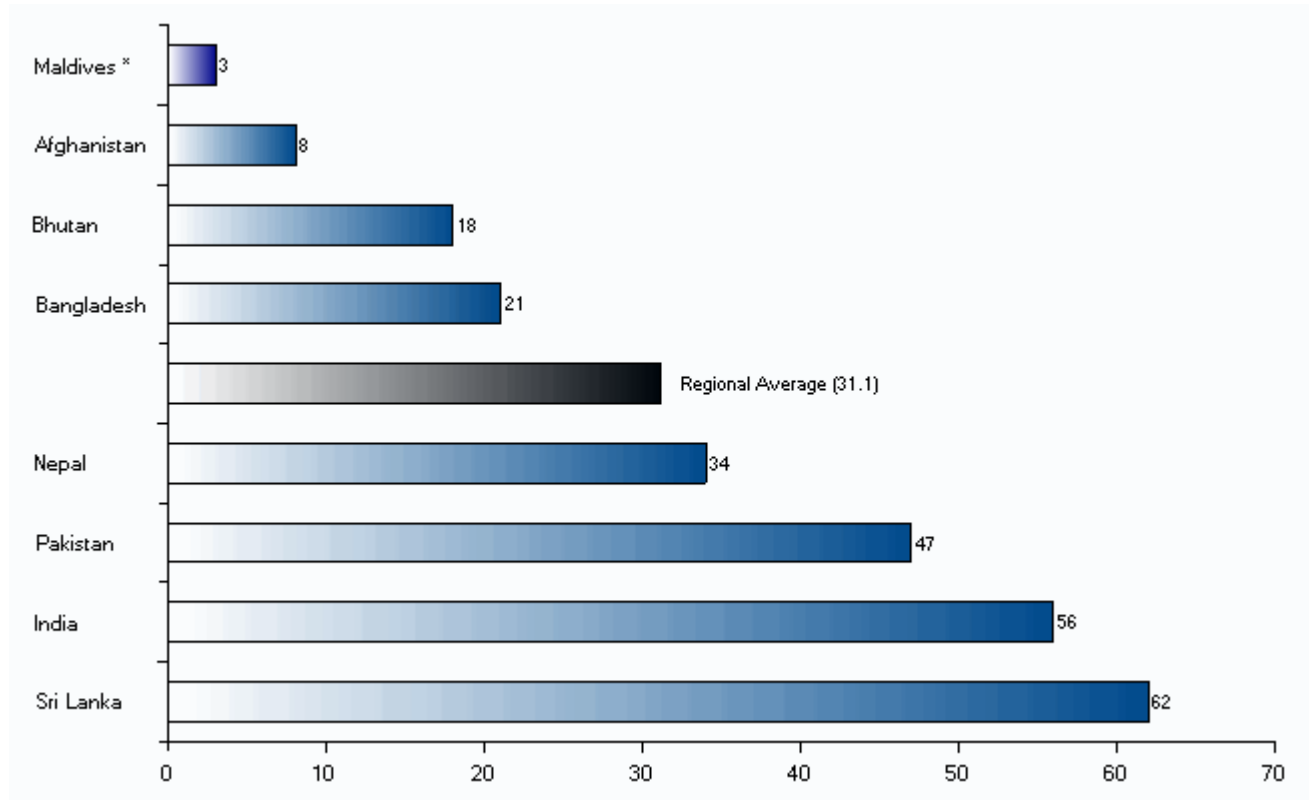
Rankings are based on 3 subindicators



#### Case Study Assumptions

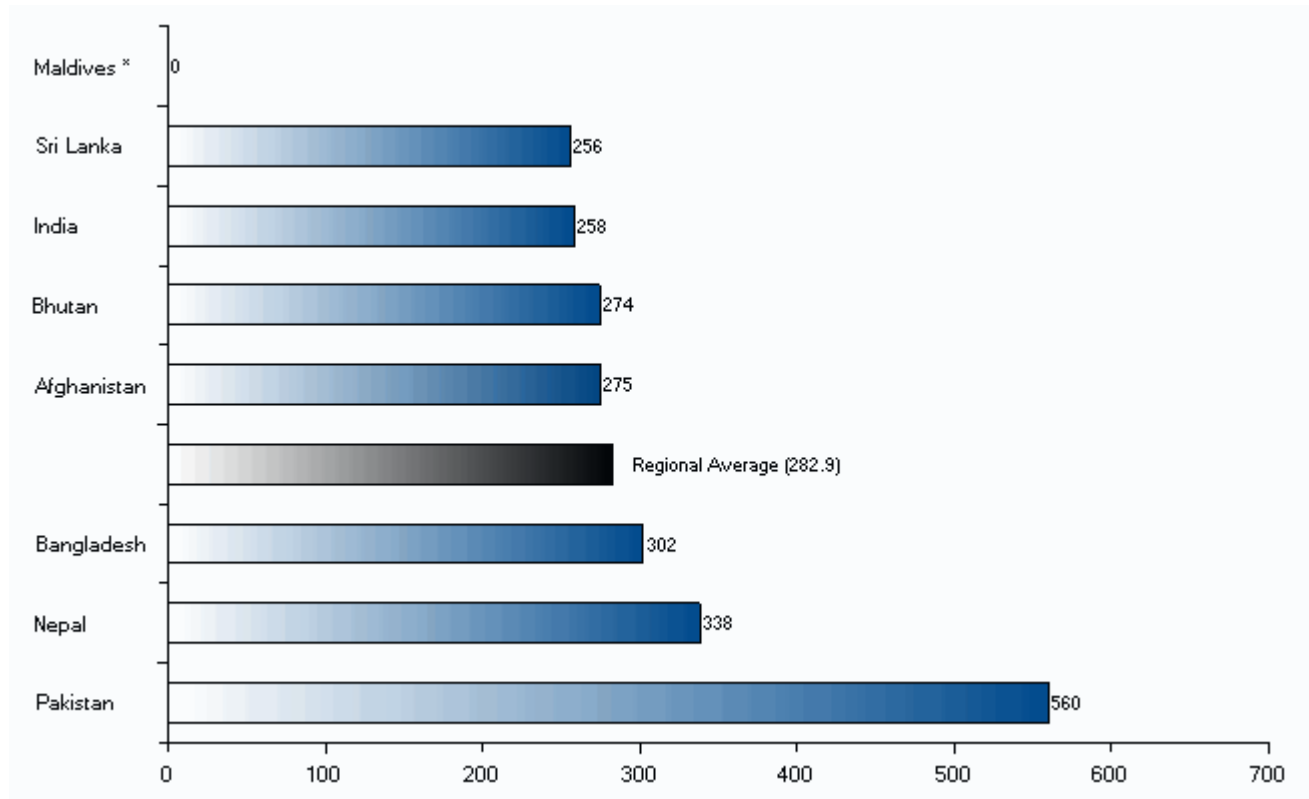
- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

## Payments (number per year)



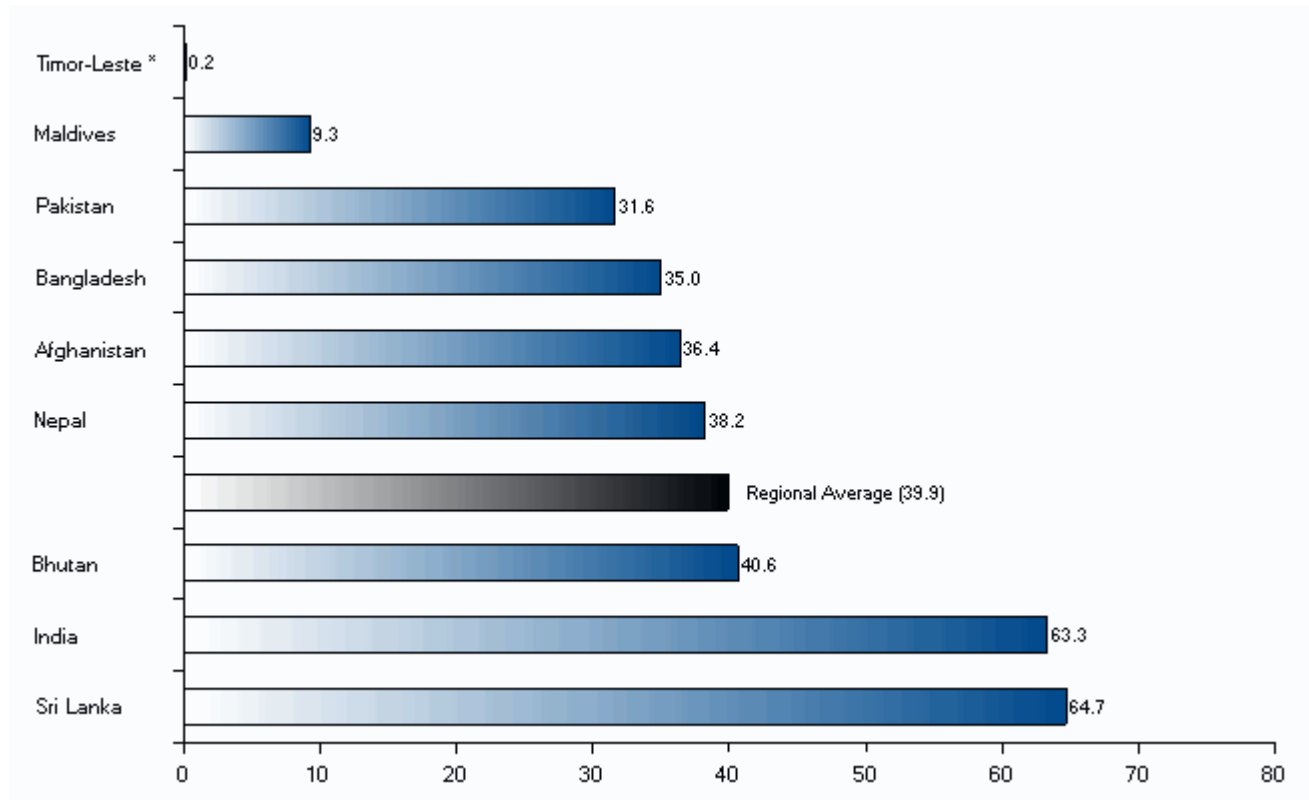
This graph compares the number of payments required for an entrepreneur to pay taxes. \* An economy requiring the least number of payments is included as a benchmark.

## Time to pay taxes (hours per year)



This graph compares the time in hours required for an entrepreneur to pay taxes. \* The economy with the least amount of time is included as a benchmark.

## Total tax rate (% of profit)

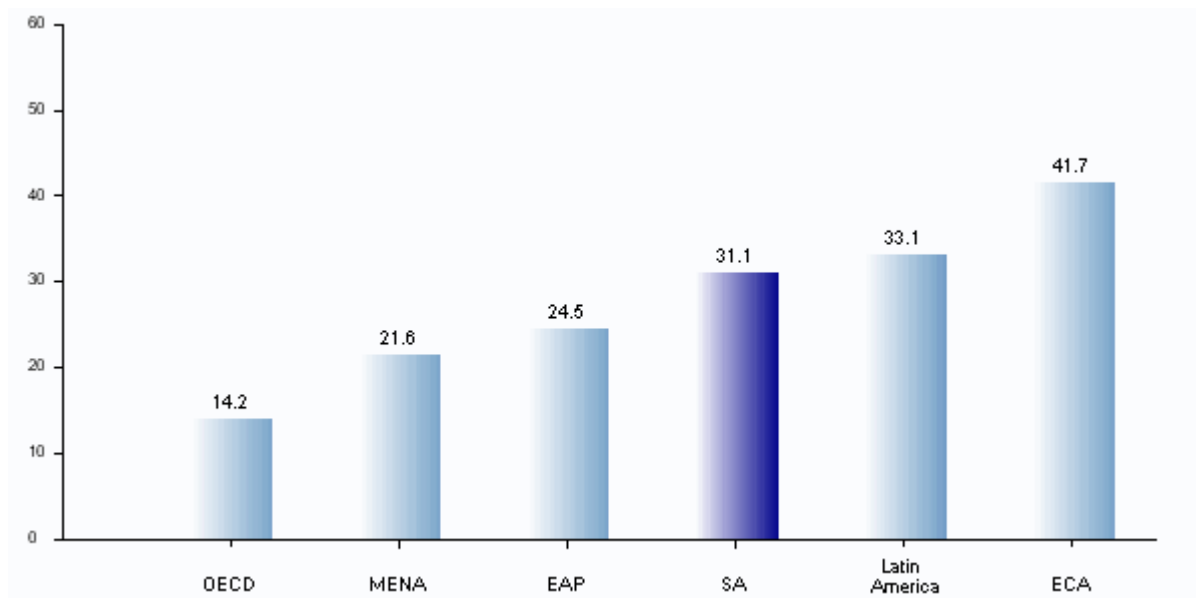


This graph compares the total tax rate that an entrepreneur is required to pay as a percentage of profit. \* The economy with the lowest tax rate is included as a benchmark.

## Paying Taxes Across Regions

<u>Region</u>	<u>Payments (number per year)</u>	<u>Time (hours per year)</u>	<u>Total tax rate (% of profit)</u>
South Asia (SA)	31.1	282.9	39.9
East Asia & Pacific (EAP)	24.5	218.2	35.4
Eastern Europe & Central Asia (ECA)	41.7	313.9	41.2
Latin America	33.1	557.1	53.5
Middle East & North Africa (MENA)	21.6	194.1	32.8
Organization for Economic Co-Operation and Development (OECD)	14.2	199.3	43.0

### Average Number of Payments (per year)



Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

#### Some reform outcomes

*In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.*

*In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.*

#### What do the Trading Across Borders indicators measure?

**Trading Across Borders:** exporting and importing by ocean transport

Rankings are based on 3 subindicators

#### Documents required to export and import (number)

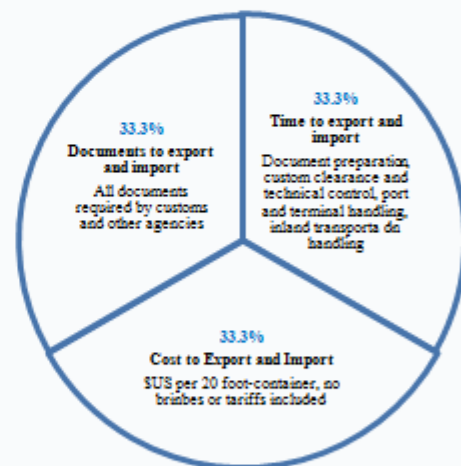
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

#### Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

#### Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



#### Case Study Assumptions

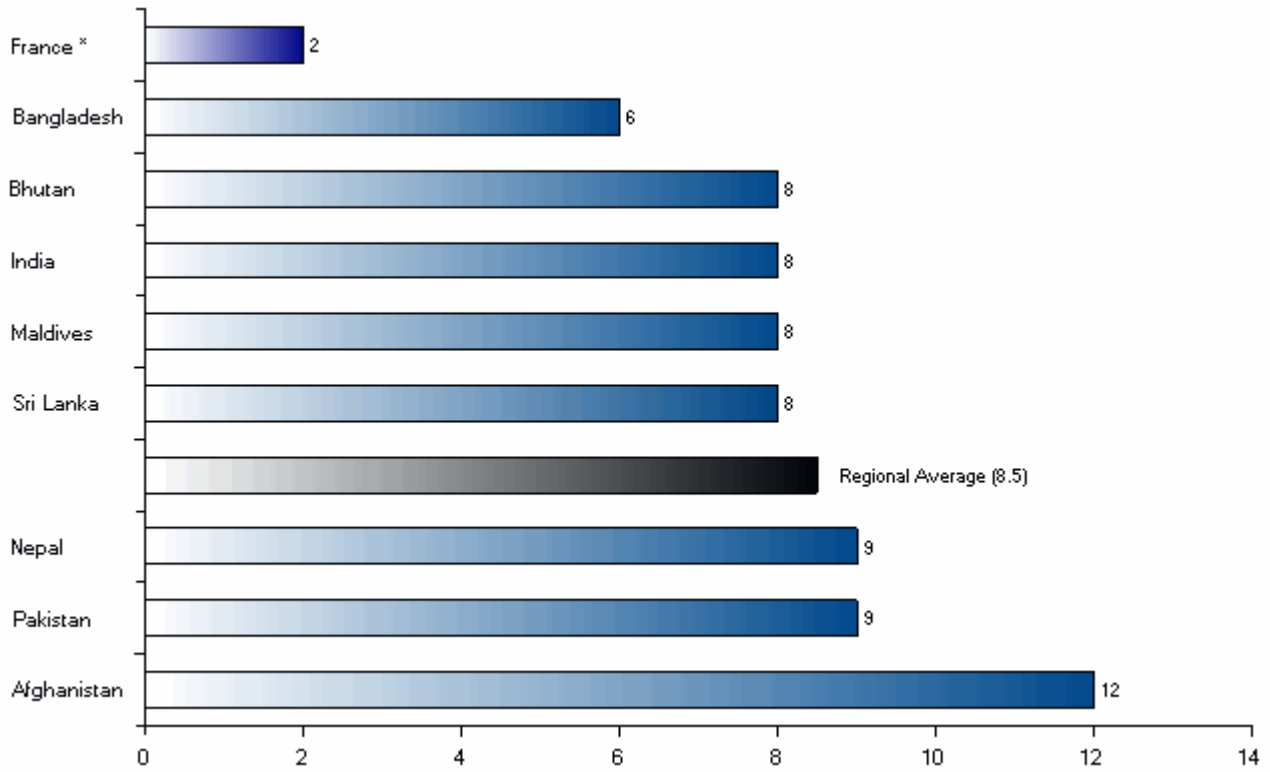
##### The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

##### The traded product

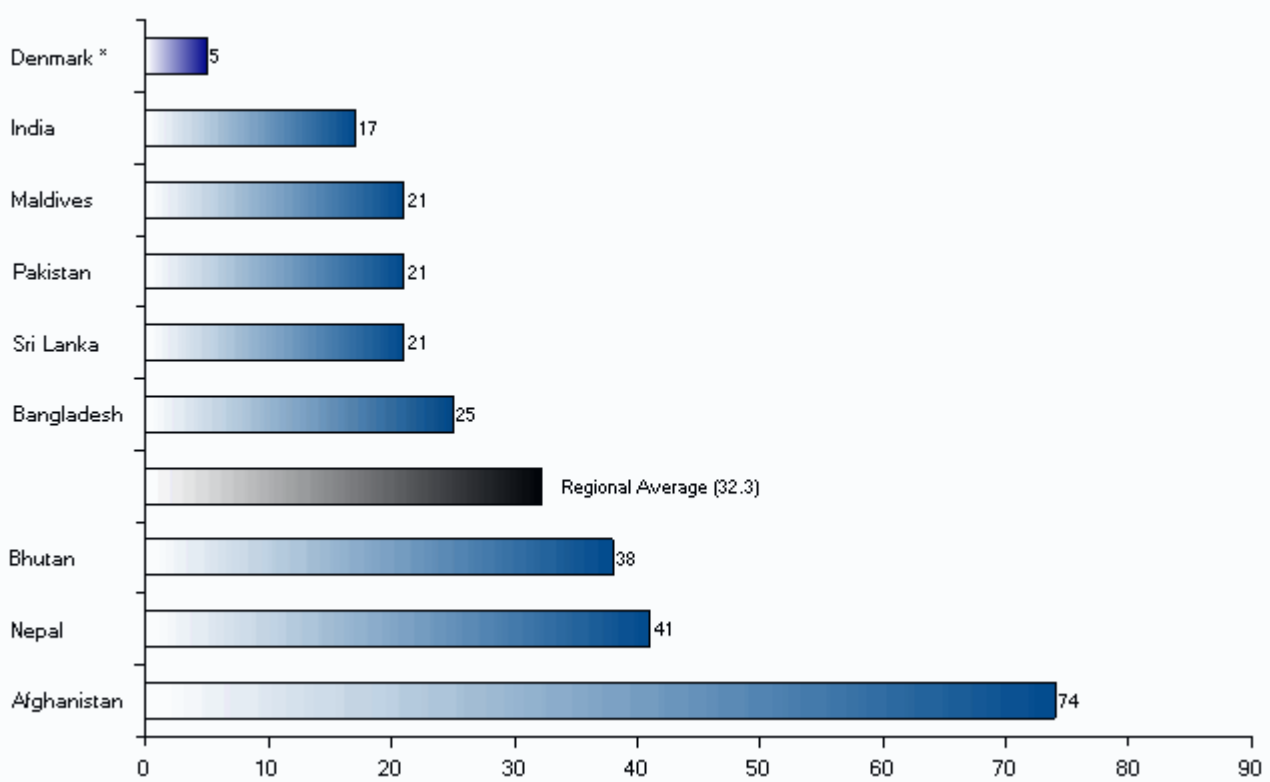
- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

## Documents to export



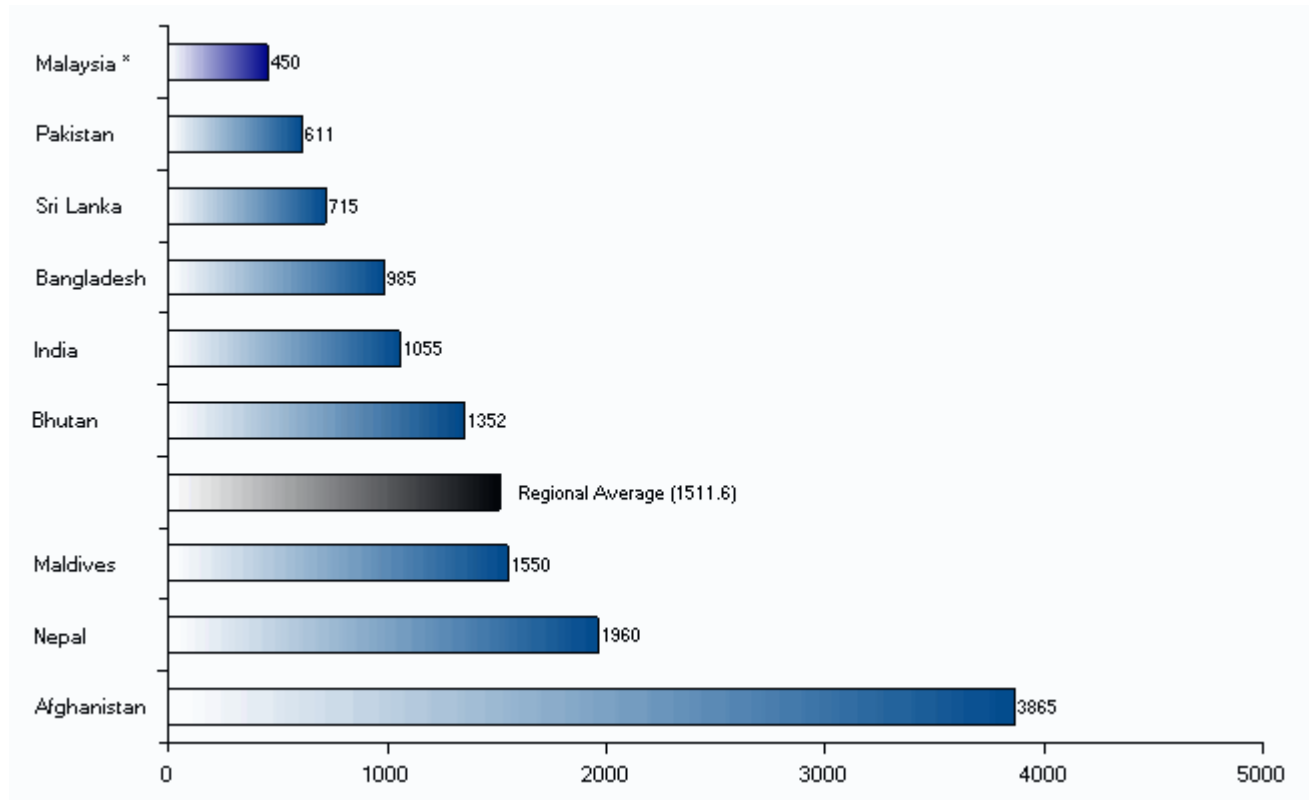
This graph compares the number documents required before an entrepreneur can export. \* The economy requiring the fewest number of documents is included as a benchmark.

## Time to export (days)



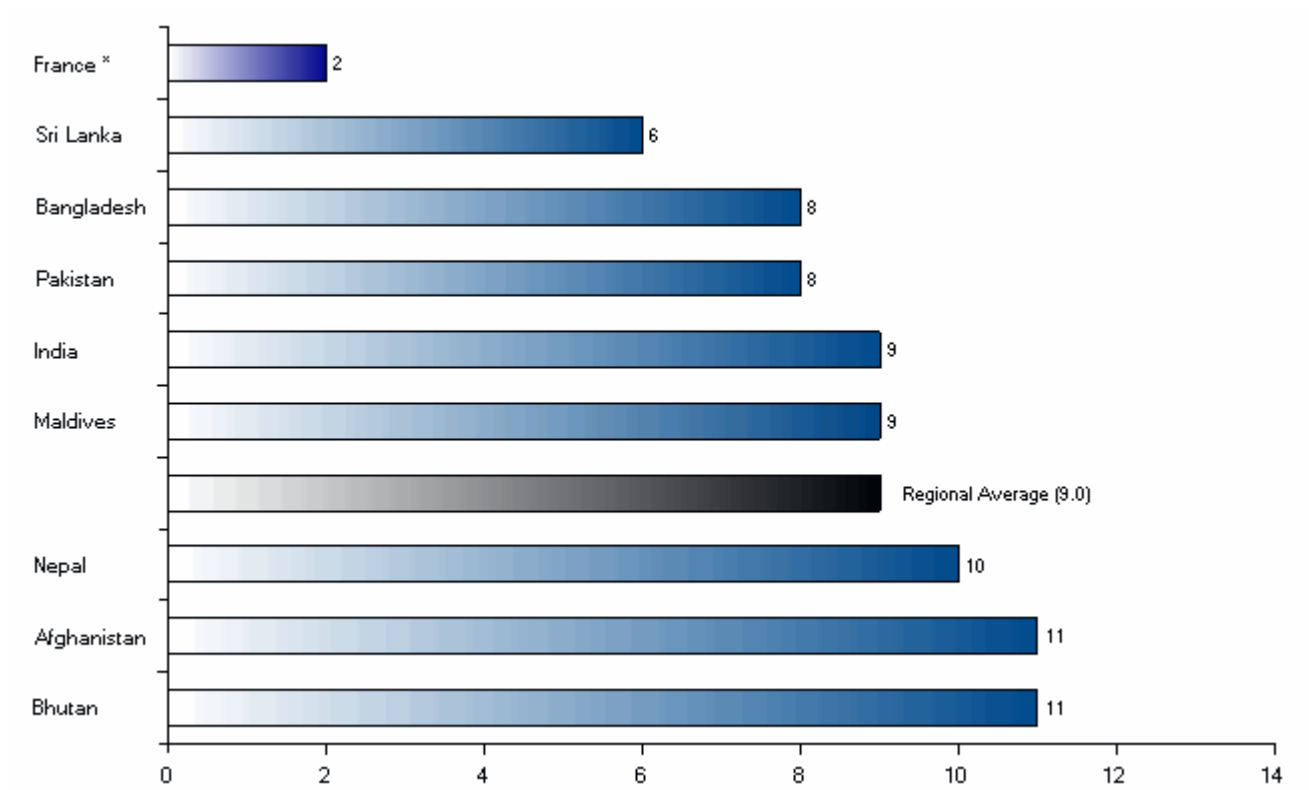
This graph compares the number of days required before an entrepreneur can export. \* An economy with the least amount of time to export is included as a benchmark.

## Cost to export (US\$ per container)



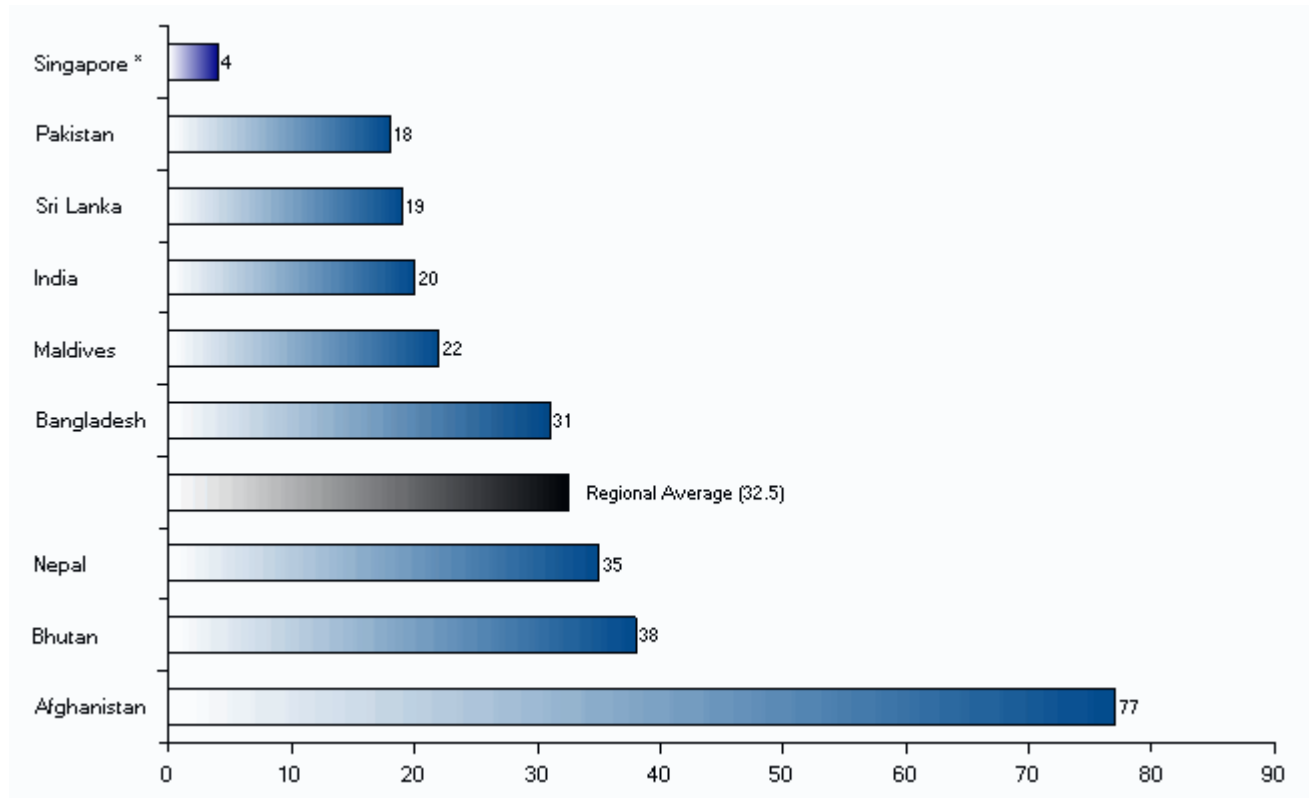
This graph compares the costs for an entrepreneur to export. \* The economy with the lowest cost to export is included as a benchmark.

## Documents to import



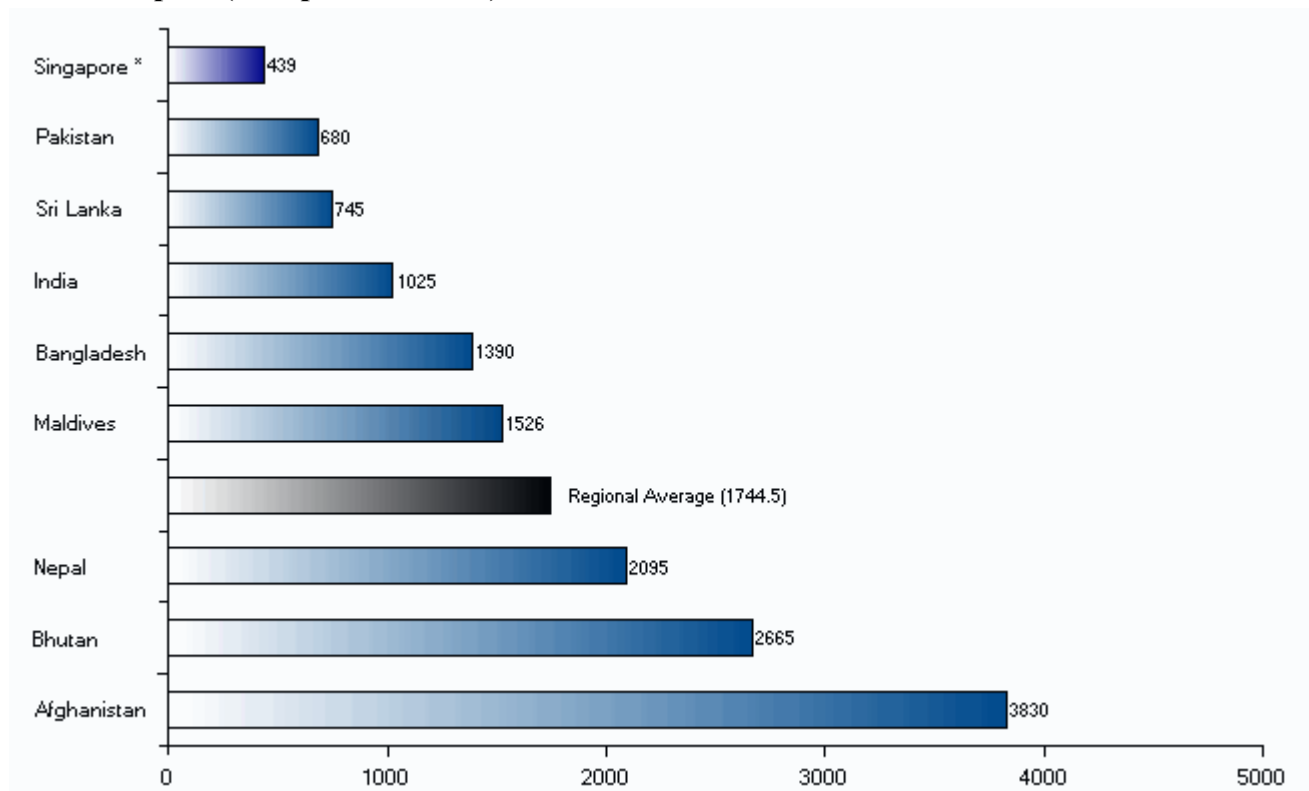
This graph compares the number of documents required before an entrepreneur can import. \* The economy requiring the fewest number of documents is included as a benchmark.

## Time to import (days)



This graph compares the number of days required before an entrepreneur can import. \* The economy with the least time to import is included as a benchmark.

## Cost to import (US\$ per container)

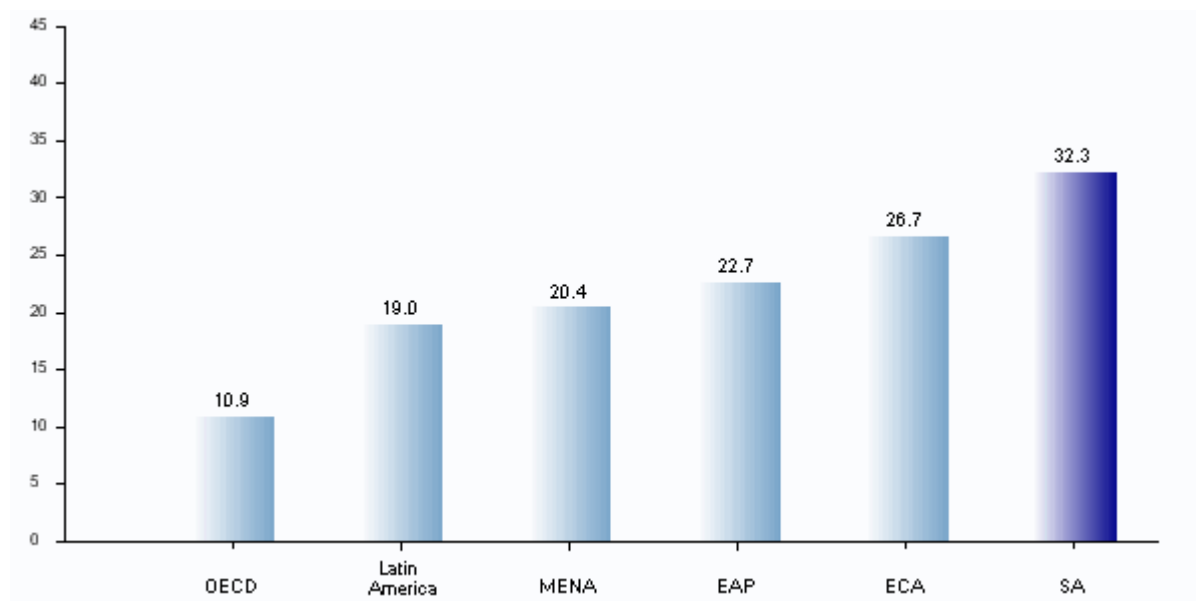


This graph compares the costs for an entrepreneur to import. \* The economy with the lowest cost to import is included as a benchmark.

## Trading Across Borders Across Regions (Export)

<u>Region</u>	<u>Documents to export (number)</u>	<u>Time to export (days)</u>	<u>Costs to export (US\$ per container)</u>
South Asia (SA)	8.5	32.3	1,511.6
East Asia & Pacific (EAP)	6.4	22.7	889.8
Eastern Europe & Central Asia (ECA)	6.4	26.7	1,651.7
Latin America	7.1	19.0	1,310.6
Middle East & North Africa (MENA)	6.4	20.4	1,048.9
Organization for Economic Co-Operation and Development (OECD)	4.4	10.9	1,058.7

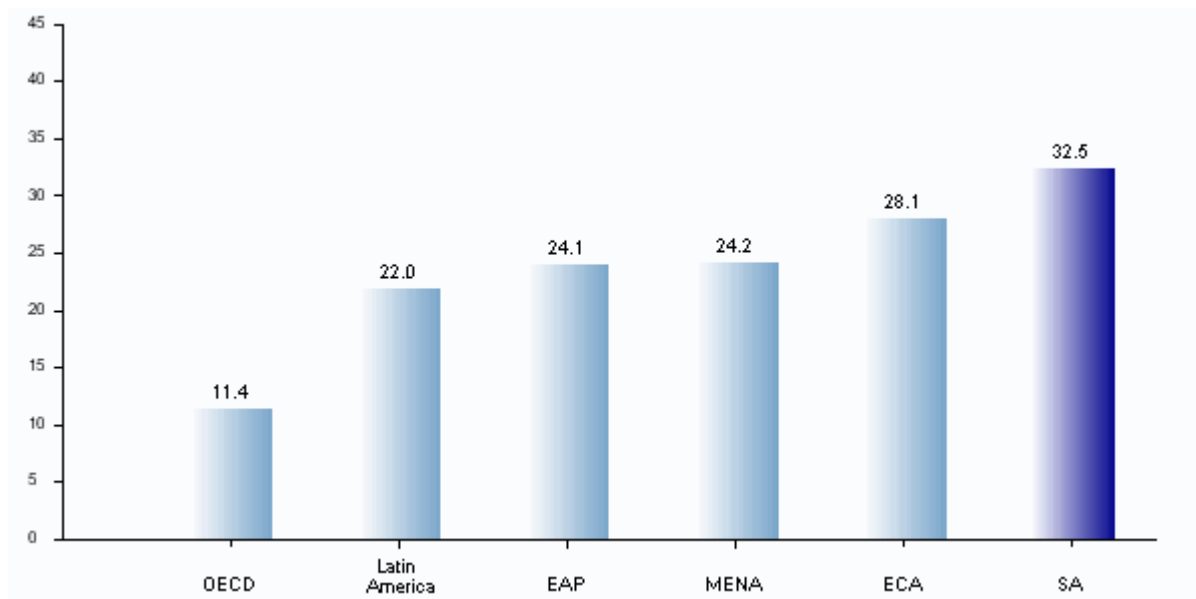
### Average Time to Export (days)



## Trading Across Borders Across Regions (Import)

<u>Region</u>	<u>Documents to import (number)</u>	<u>Time to import (days)</u>	<u>Cost to import (US\$ per container)</u>
South Asia (SA)	9.0	32.5	1,744.5
East Asia & Pacific (EAP)	6.9	24.1	934.7
Eastern Europe & Central Asia (ECA)	7.6	28.1	1,845.4
Latin America	7.5	22.0	1,441.1
Middle East & North Africa (MENA)	7.5	24.2	1,229.3
Organization for Economic Co-Operation and Development (OECD)	4.9	11.4	1,106.3

### Average Time to Import (days)



Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

### Some reform outcomes

*In Rwanda* the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

*In Austria* a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

### What do the Enforcing Contracts indicators measure?

#### Procedures to enforce a contract (number)

- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

#### Time required to complete procedures (calendar days)

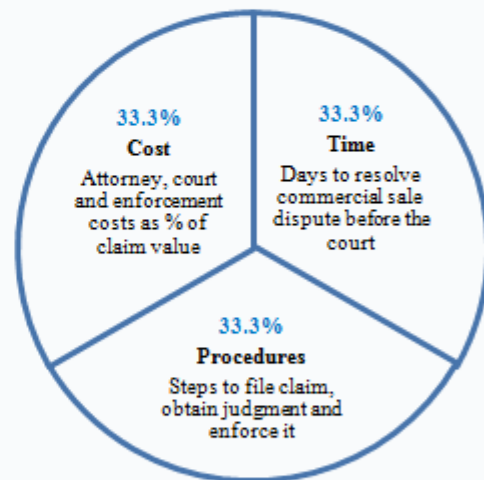
- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

#### Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs

**Enforcing Contracts:** resolving a commercial dispute through the courts

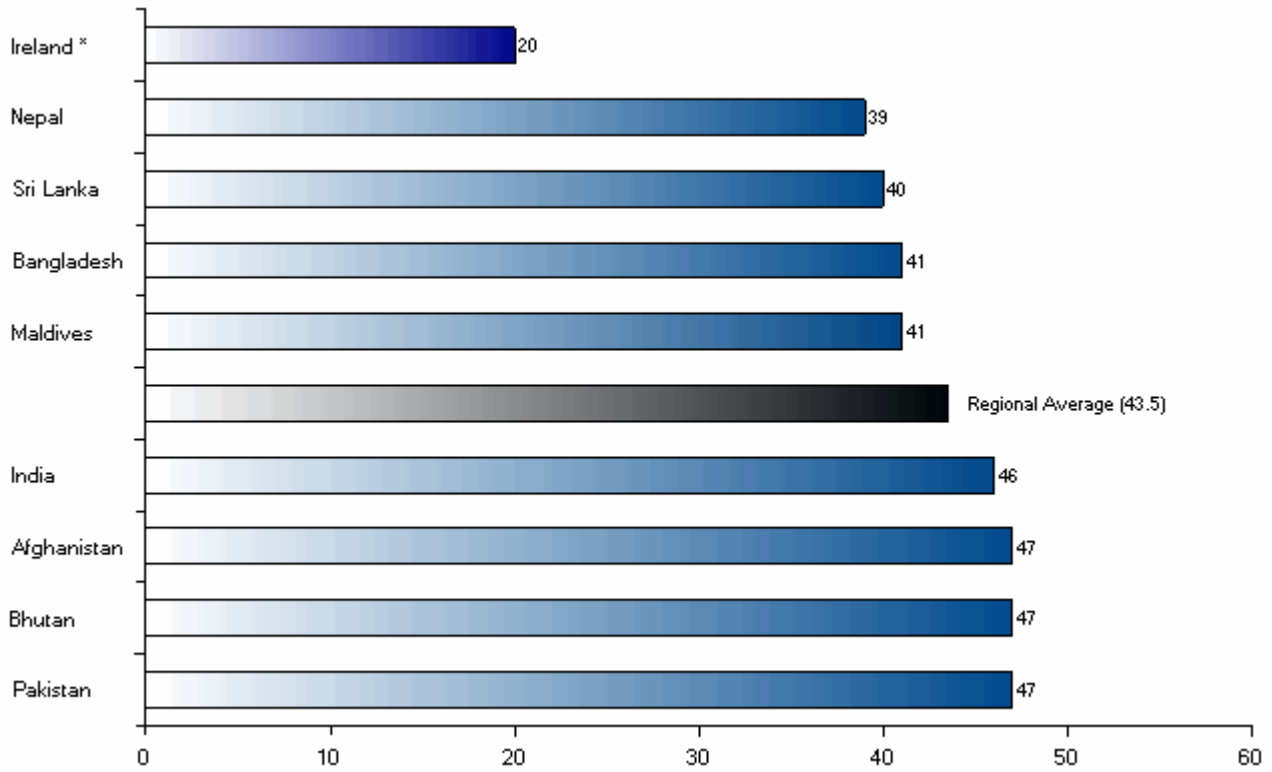
Rankings are based on 3 subindicators



### Case Study Assumptions

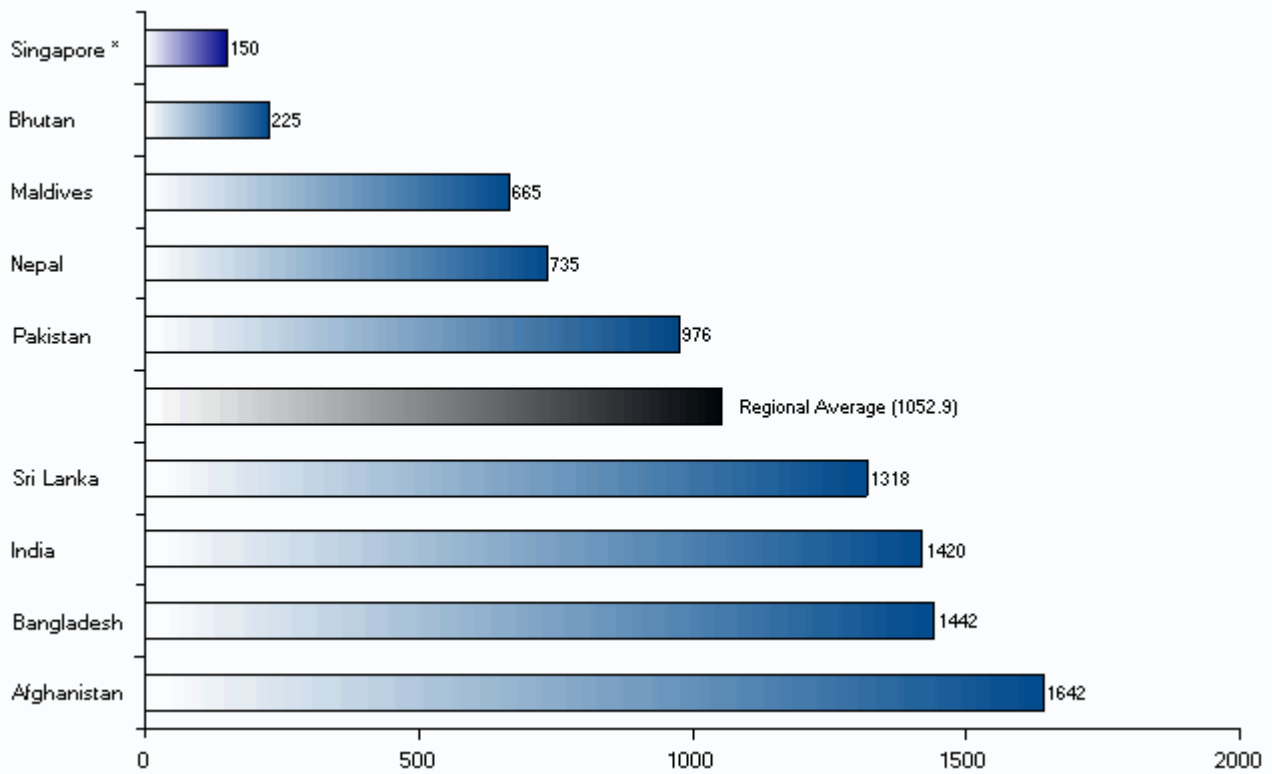
- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

## Procedures to enforce a contract



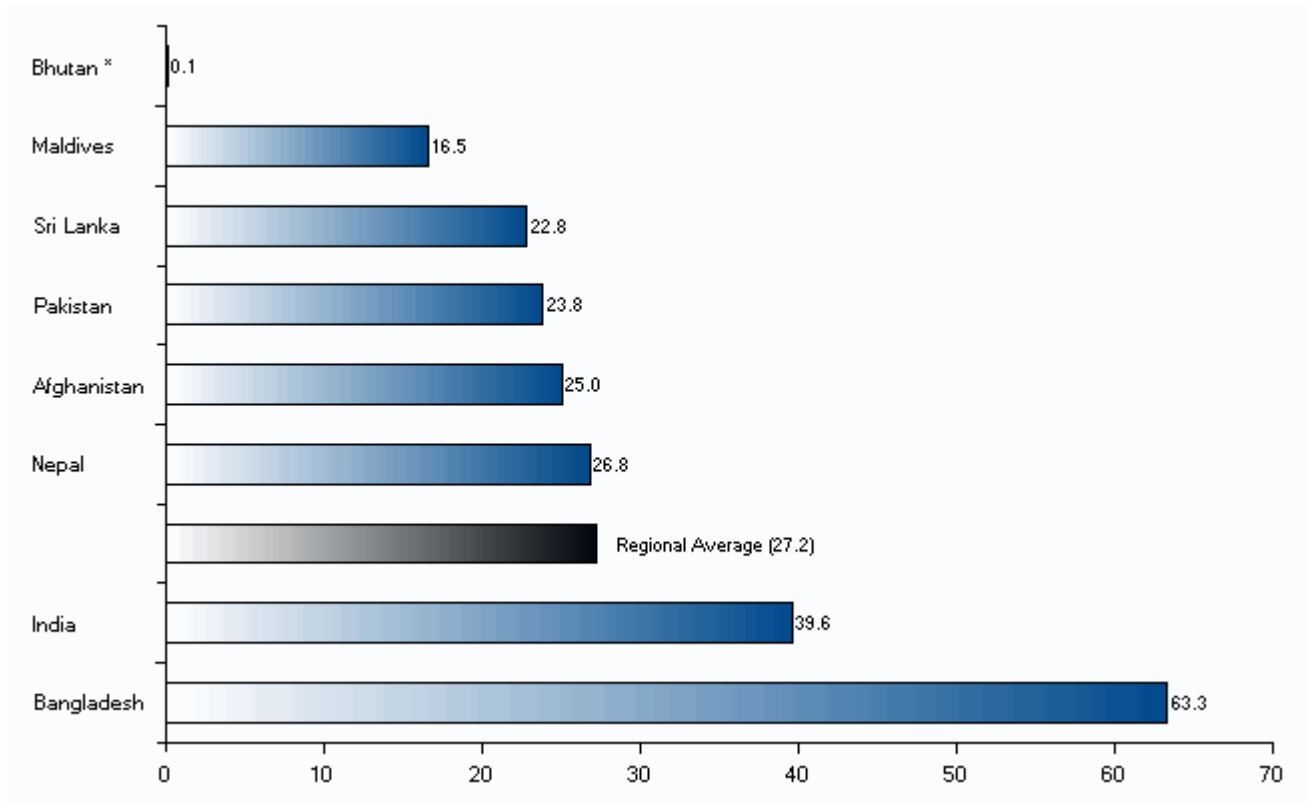
This graph compares the number of days it takes to recover a commercial debt through the courts. \* The economy requiring the least time is included as a benchmark.

## Time to enforce a contract (days)



This graph compares the number of days it takes to recover a commercial debt through the courts. \* The economy with the least time is included as a benchmark.

## Cost to enforce a contract (% of claim)

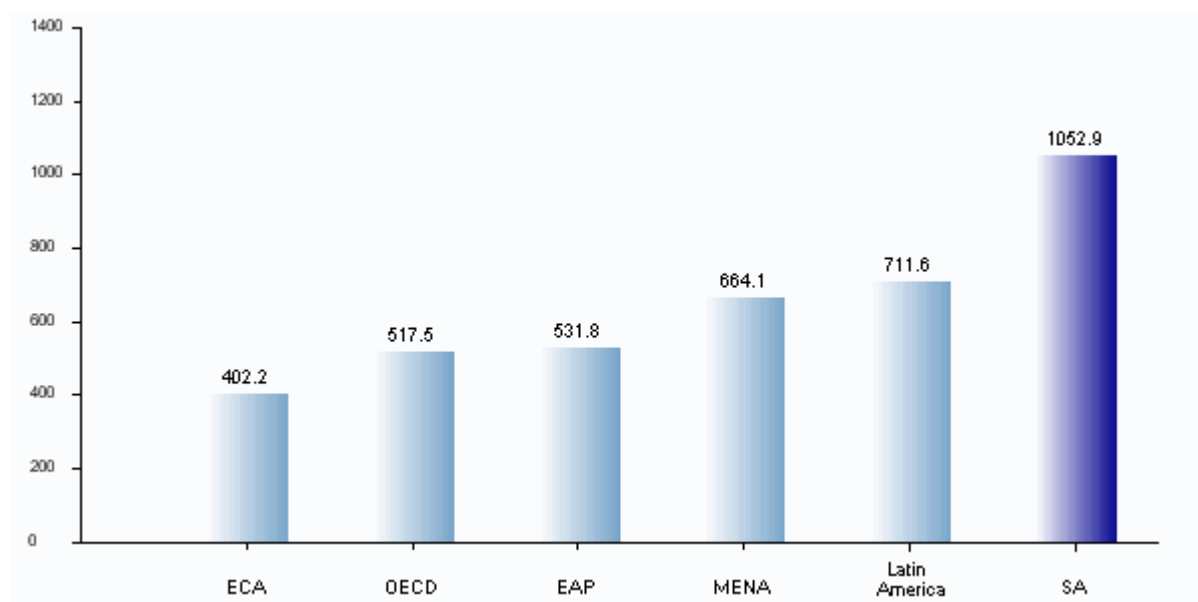


This graph compares the costs it takes to recover a commercial debt through the courts. \* The economy with the lowest cost is included as a benchmark.

## Enforcing Contracts Across Regions

<u>Region</u>	<u>Procedures (number)</u>	<u>Time (days)</u>	<u>Cost (% of claim)</u>
South Asia (SA)	43.5	1,052.9	27.2
East Asia & Pacific (EAP)	37.3	531.8	48.5
Eastern Europe & Central Asia (ECA)	37.3	402.2	26.7
Latin America	37.0	711.6	30.1
Middle East & North Africa (MENA)	43.9	664.1	23.6
Organization for Economic Co-Operation and Development (OECD)	31.2	517.5	19.2

### Average Time to Enforce a Contract (days)



A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

#### Some reform outcomes

*A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.*

*Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.*

#### What does the Closing a Business indicator measure?

**Closing a Business:** insolvency proceedings against local company

#### Time required to recover debt (years)

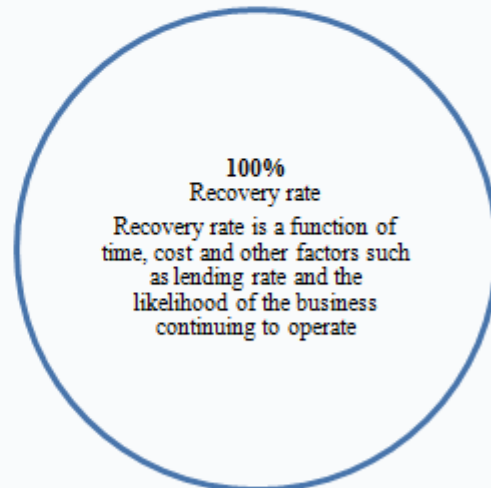
- Measured in calendar years
- Appeals and requests for extension are included

#### Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

#### Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered

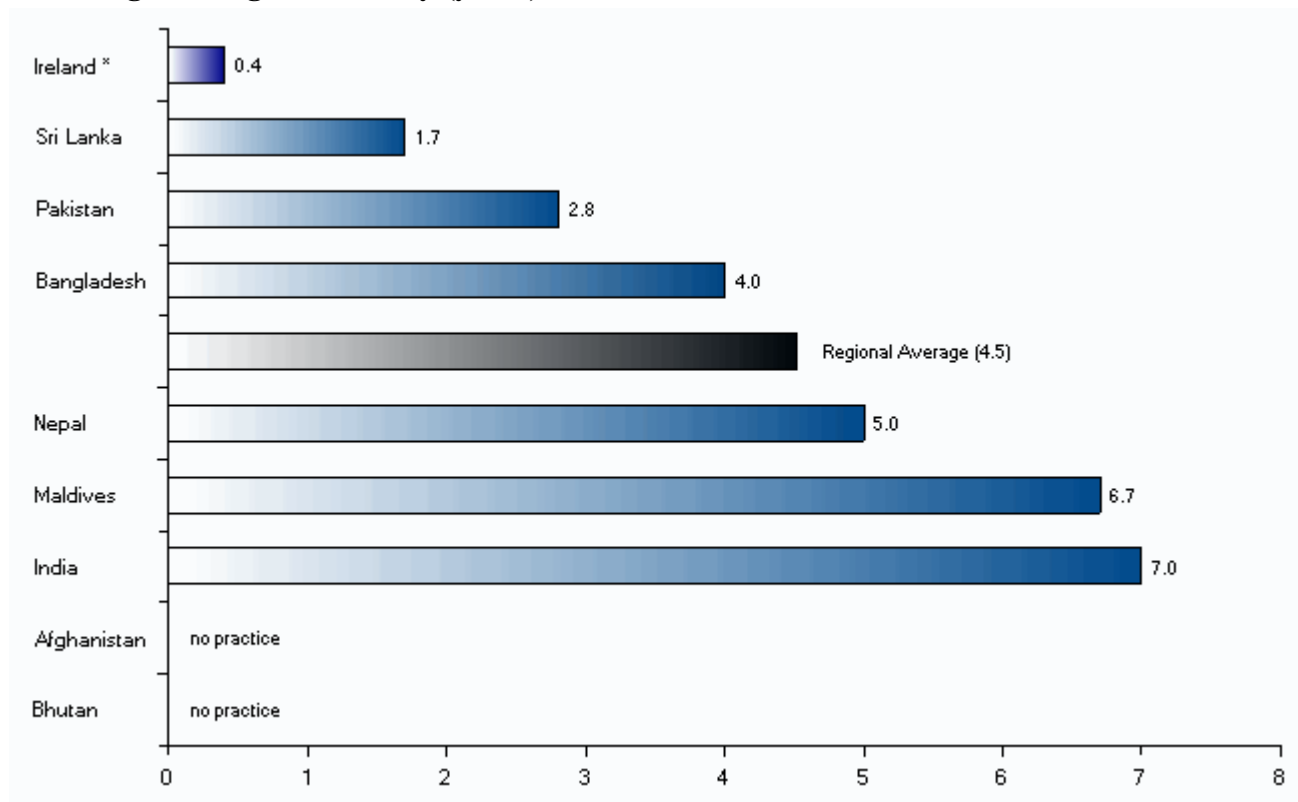


#### Case Study Assumptions

##### The Company:

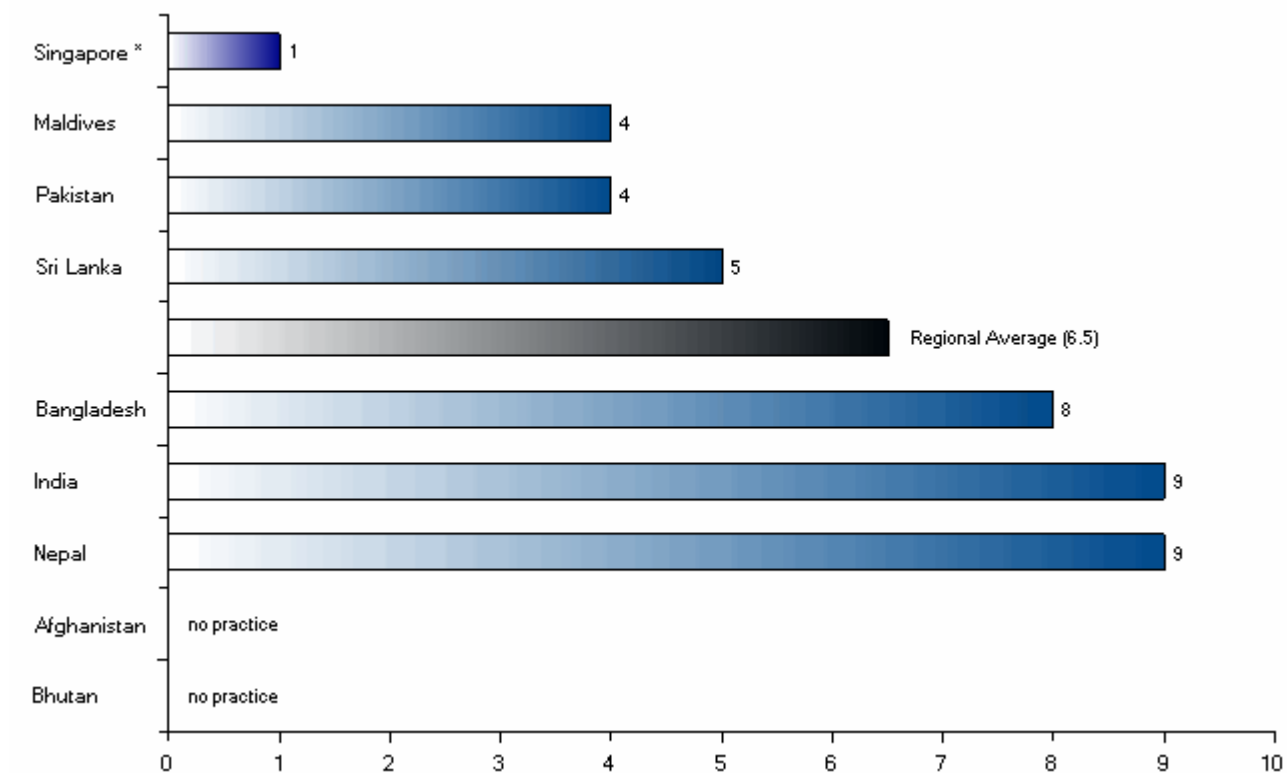
- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

## Time to go through insolvency (years)



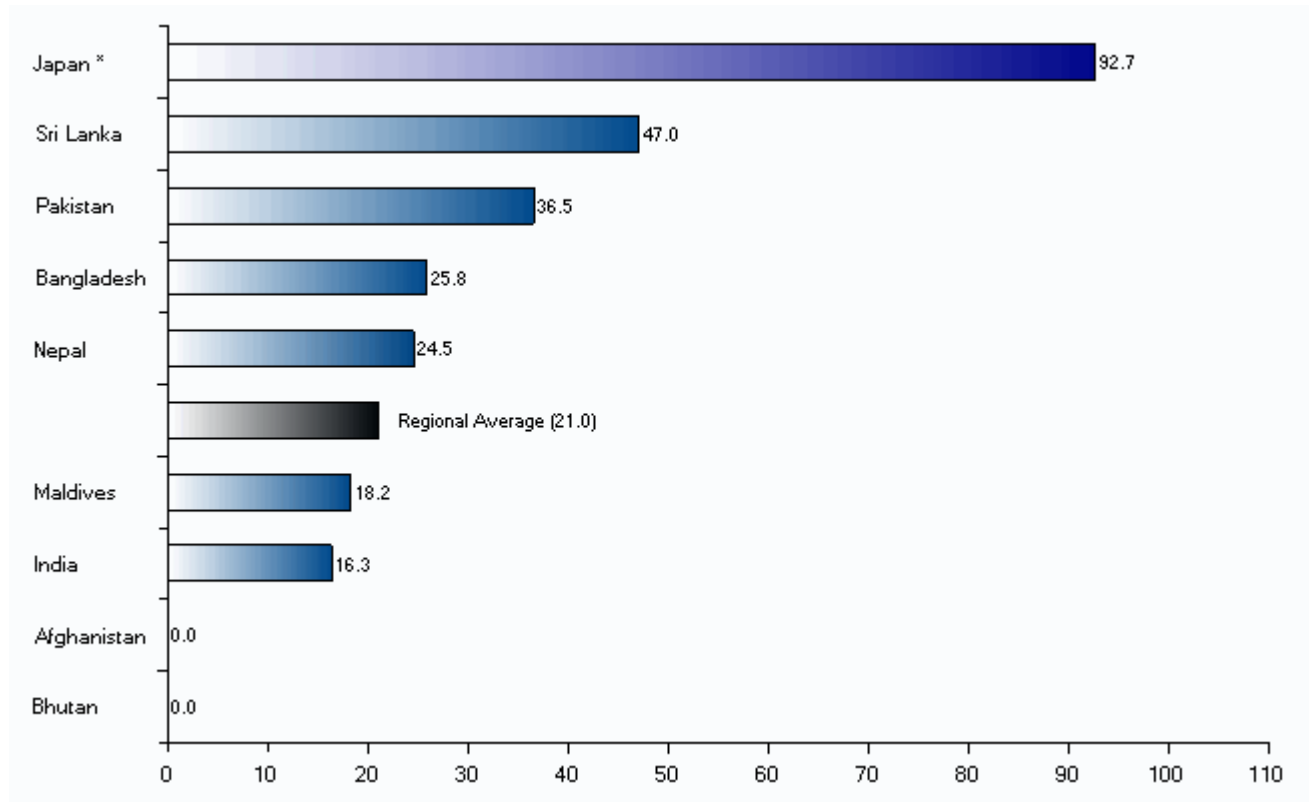
This graph compares the number of years it takes to go through an insolvency process. \* The economy with the least time is included as a benchmark.

## Cost of insolvency (% of estate)



This graph compares the costs needed to go through an insolvency process. \* An economy with the lowest cost is included as a benchmark. Colombia, Kuwait, and Norway also have the lowest costs to go through an insolvency process.

## Recovery rate (cents on the dollar)

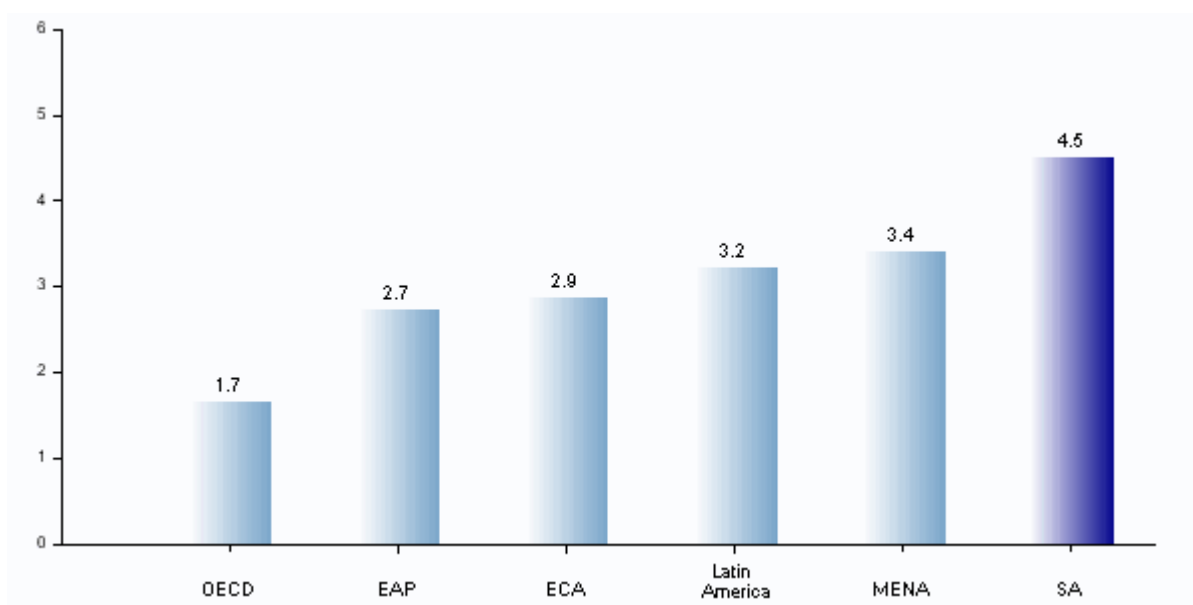


This graph compares the recovery rate after an insolvency process. \* The economy with the highest recovery rate is included as a benchmark.

## Closing a Business Across Regions

<u>Region</u>	<u>Time (years)</u>	<u>Cost (% of estate)</u>	<u>Recovery rate (cents of the dollar)</u>
South Asia (SA)	4.5	6.5	21.0
East Asia & Pacific (EAP)	2.7	23.2	28.6
Eastern Europe & Central Asia (ECA)	2.9	13.4	31.3
Latin America	3.2	13.9	30.4
Middle East & North Africa (MENA)	3.4	13.6	29.4
Organization for Economic Co-Operation and Development (OECD)	1.7	9.1	69.1

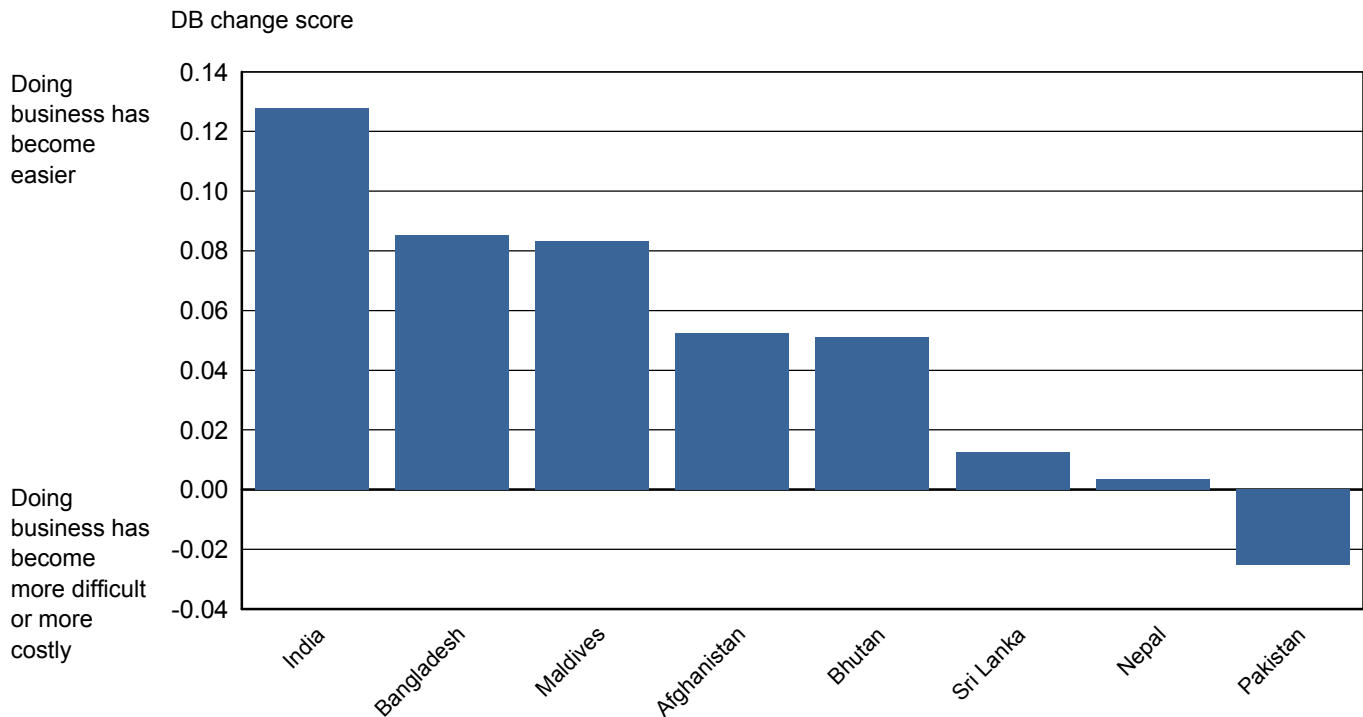
### Average Time to Close a Business (years)



The 5-year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies\* from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the *Doing Business* indicators -- such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Note: This year's DB change score ranges from -0.1 to 0.54. More details on how the DB change score is constructed can be found in the methodology section of the website.

\* Bahrain, The Bahamas, Brunei, Cyprus, Kosovo, Liberia, Luxembourg, Montenegro and Qatar do not feature in the new metric because they were included in the *Doing Business* report in years subsequent to the *Doing Business 2005* report and hence, 5 years of data are not yet available.

Since 2004 *Doing Business* has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets\*. Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by *Doing Business* have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

## The top 10 most-improved in *Doing Business 2011*

Economy	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Kazakhstan	✓	✓			✓		✓		
Rwanda		✓		✓			✓		
Peru	✓	✓	✓				✓		
Vietnam	✓	✓		✓					
Cape Verde	✓		✓			✓			
Tajikistan	✓				✓	✓			
Zambia	✓						✓	✓	
Hungary		✓	✓			✓			✓
Grenada	✓		✓				✓		
Brunei Darussalam	✓					✓	✓		

Note: \* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

## Changes to business regulation 2009/2010 in South Asia (SA)

Economy									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Afghanistan									
Bangladesh	✓		✓						
Bhutan									
India	✓					✓			
Maldives			✓						
Nepal									
Pakistan			✗				✓		
Sri Lanka									

### Summary of changes to business regulation in South Asia (SA) in *Doing Business 2011*

**Bangladesh** made business start-up easier by eliminating the requirement to buy adhesive stamps and further enhancing the online registration system. Bangladesh reduced the property transfer tax to 6.7% of the property value.

**India** eased business start-up by establishing an online VAT registration system and replacing the physical stamp previously required with an online version. India reduced the administrative burden of paying taxes by abolishing the fringe benefit tax and improving electronic payment.

**Maldives** now allows registered companies to own land as long as all company shares are owned by Maldivians.

**Pakistan** made registering property more expensive by doubling the capital value tax to 4%. Pakistan reduced the time to export by improving electronic communication between the Karachi Port authorities and the private terminals, which have also boosted efficiency by introducing new equipment.



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